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THE REFLECTIONS OF INKYO
ON
THE GREAT COMPANY

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ON
THE GREAT COMPANY

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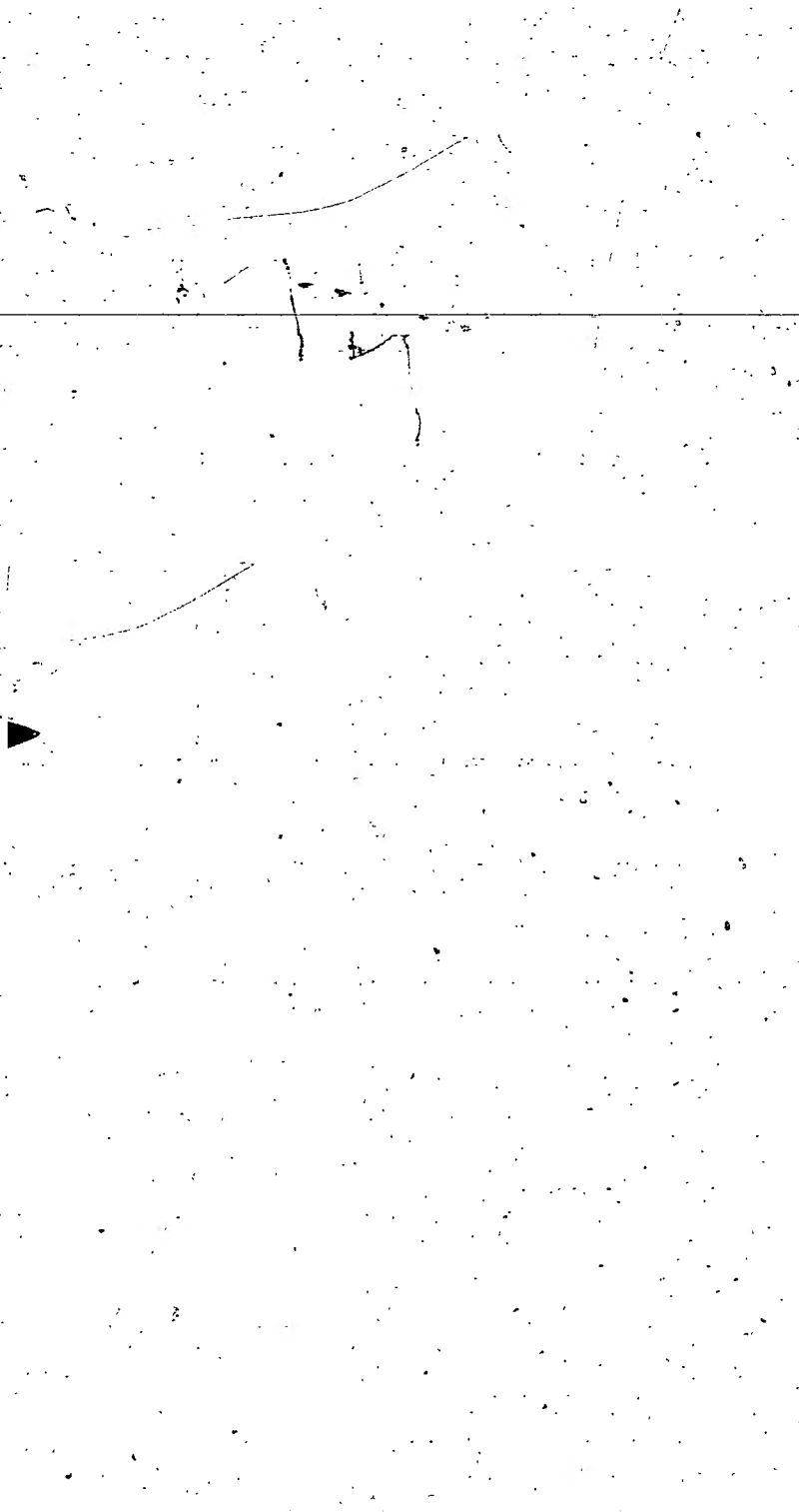
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Naturally the term of office overlaps in each calendar year.
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I.—Introduction

AMONG the institutions of the more ancient civilizations of the East is one to which greater respect might be paid with advantage in the West. Mr. Lisle March Phillips, writing of the conviction there that knowledge is revelation through contemplation, tells us that "This in India is a common thought; indeed, it has been laid down as a rule of life there that all men at a certain age, having fulfilled their duties as citizens and to their families, should sever all earthly ties and adopt the vocation of avowed visionaries." But like other institutions, it has the drawbacks of its merits, which become the more conspicuous when it is applied to the energetic men born in the invigorating climate of a temperate island. And so it has to be admitted that one inkyo in Japan is liable, as Mr. John Paris has said, to watch the progress of the family fortunes with the vigilance of Charles the Fifth in the cloister of Juste, and on occasion to emerge from the perfecting of his penmanship—that calligraphy which, still being rooted in the symbolical representation of things, leaves more scope for artistry—in the inkyo, "the shadow dwelling," to take part again in the family counsels, sighing "Youth has the strength, but not the knowledge; age has the knowledge, but not the strength."

I have recently been disturbed in the flourishes of penmanship, in the form more customary to us in the West, in my inkyo by the raucous cries of our strident Press. "Hudson's Bay Sensation, 'Unfortunate Deals'" screams one, and, in larger type, "Hudson's Bay Changes, End of Great Romance, Link with London Broken, after 260 Years" another. Can it be true? The cherry-flowers must fall and be finished at some long last with companies even as with men. "A Company whose early adventures have supplied material for much exciting schoolboy

fiction is likely to have its long chain of romantic traditions weakened by proposed drastic changes in its constitution," the last writer (*Daily Herald*, 1 January, 1931) proceeds, in ever lessening type. "Material for much exciting schoolboy fiction" : is that all its romance? No, the writer proceeds later, in his smallest type, "The Company's explorers also enlarged the map of the world by discovering and mapping out vast stretches of land in Northern Canada which were previously unknown wildernesses. By this means the Company has probably played a larger part than any other single organisation in the colonisation of the British Empire." It is true; there stand the rows and rows of books on this romantic subject; but where is there one that deals with the romance of the life beats at the golden heart that made it all possible? And yet this had its romance. Beside them stand, under the dust accumulating on the works of a Victorian writer, the brilliant studies of Walter Bagehot. As another great financial writer of that age, Sir Robert Giffen, worthy to stand beside him, wrote of him on his death: "He had the keenest interest . . . in the art of money-making, as distinguished from mere knowledge and skill in economics and the methods and subjects of business; in the working of personal motives of revenge and the like, as they affected the great game which was constantly playing before us in the City; similarly in politics, in the personal element, the personal and family relationships of our public men, which he believed to have far more effect on the course of politics and parties, and the making or marring of careers, than the outside world supposes."

"Proposed drastic changes in its constitution." Under yet more accumulated dust there stand near, on the shelf, inkyo (i.e. in "honourable retirement from active life"), the works of a yet greater writer, the greatest philosopher and prophet that England has produced. That sentence sets my mind harking back to a passage in an article written by Herbert Spencer in 1854, after the English Railway Mania, on "Railway Morals and Railway Policy" (*Edinburgh Review* October, 1854.) In it he held that the "belief in the identity of directorial and proprietary interests is the fatal error commonly made by shareholders." After considering convincing instances

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in support of this opinion, he finds that "the fundamental vice of our system, as hitherto carried out, lies in the *mis-interpretation of the proprietary contract*," and he proceeds :

"—the contract tacitly entered into between each shareholder and the body of shareholders with whom he unites ; and that the remedy desired lies simply in the enforcement of an equitable interpretation of this contract. In reality it is a strictly limited one : in practice it is treated as altogether unlimited : and the thing needed is, that it should be clearly defined and abided by.

"Our popular form of government has so habituated us to seeing public questions decided by the voice of the majority, and the system is so manifestly equitable in the cases daily before us, that there has been produced in the general mind an unhesitating belief that the majority's power is unbounded. Under whatever circumstances, or for whatever ends, a number of men co-operate, it is held that if difference of opinion arises among them, justice requires that the will of the greater number shall be executed rather than that of the smaller number ; and this rule is supposed to be uniformly applicable, be the question at issue what it may. So confirmed is this conviction, and so little have the ethics of the matter been considered, that to most this mere suggestion of a doubt will cause some astonishment. Yet it needs but a brief analysis to show that the opinion is little better than a political superstition. Instances may readily be selected which prove, by *reductio ad absurdum*, that the right of a majority is a purely conditional right, valid only within specific limits. Let us take a few. Suppose that at the general meeting of some philanthropic association, it was resolved that in addition to relieving distress the association should employ home-missionaries to preach down popery. Might the subscriptions of Catholics, who had joined the body with charitable views, be rightfully used for this end ? Suppose that of the members of a book-club, the greater number, thinking that under existing circumstances rifle-practice was more important than reading, should decide to change the purpose of their union, and to apply the funds in hand for the purchase of powder, ball, and targets. Would the rest be bound by this decision ? Suppose that under the excitement of news from Australia, the majority of a Freehold Land Society should determine, not simply to start in a body for the gold-diggings, but to use their accumulated capital to provide outfits. Would this appropriation of property be just to the minority ? and must these join the expedition ? Scarcely anyone would venture an affirmative answer even to the first of these questions ; much less to the others. And Why ? Because everyone, must perceive that by uniting himself with others, no man can equitably be betrayed into acts utterly foreign to the purpose for which he joined them. Each of these supposed minorities would properly reply to those seeking to coerce them :— ' We combined with you for a defined object ; we gave money and time for the furtherance of that object ; on all questions thence arising we

tacitly agreed to conform to the will of the greater number; but we did not agree to conform on any other questions. If you induce us to join you by professing a certain end, and then undertake some other end of which we were not apprised, you obtain our support under false pretences; you exceed the expressed or understood compact to which we committed ourselves; and we are no longer bound by your decisions. Clearly this is the only rational interpretation of the matter. The general principle underlying the right government of every incorporated body, is, that its members contract with each other severally to submit to the will of the majority in all matters concerning the fulfilment of the objects for which they are incorporated; but in no others. To this extent only can the contract hold. For as it is implied in the very nature of a contract, that those entering into it must know what they contract to do; and as those who unite with others for a specified object, cannot contemplate all the unspecified objects which it is hypothetically possible for the union to undertake; it follows that the contract entered into cannot extend to such unspecified objects. And if there exists no expressed or understood contract between the union and its members respecting unspecified objects, then for the majority to coerce the minority into undertaking them, is nothing less than gross tyranny."

If those of the active generation, with its vivid sense of practical realities, who may have so far listened with polite indulgence, should by now demand that I cut the dusty reminiscences and get to the point, it is that having observed that the price of the Hudson's Bay Company share had fallen to the tempting price of £3, after listening to the last Governor's Speech I incautiously suggested to a V.A.D. to invest some of her hard-won savings in it, only to see the price fall to £1 within six months. I was thus drawn to examine the cause as far as the published records allow, and in case the result may be of some service to some in active life who have not the leisure for this laborious assembling of facts on their own account I publish it here. My own reflections on it will be found in the Conclusion, in which I propose to consider with the aid of this financial history of "The Great Company," which a financial writer described twenty years ago as "perhaps the oldest surviving trading company of any importance," whether we have been pursuing an upward or a downward path since 1854 in the art of money-making.

II.—Early History

THE early financial history of the Great Company may be passed over briefly, for it bears little relation to conditions to-day. From the day of its foundation, however, it is not without its lessons for those with eyes to see.

It would be contrary to precedent to begin any kind of history of the Hudson's Bay Company without some reference to Groseilliers and Radisson (a Huguenot of good family), the two enterprising Frenchmen, brothers-in-law, to whose foresight the great adventure was due. Learning the ropes of the fur trade in the competing efforts of the New Englanders and the French in Canada, their spirit of adventure carried them into the van of those whom competition then, as now, pressed forward nearer to the source of supply, and they were among the first to penetrate among the Indian tribes of the interior. But the pioneer is quickly followed when once he has blazed the trail, and listening to the accounts of their far hinterland from new-found friends in distant tribes, and hearing on their return to the shipping ports the talk among adventurous sea-faring men of the almost mythical explorers in Arctic seas, they conceived the brilliant idea of approaching the virgin fur territory from the rear unhampered by any white competitor whomsoever, by penetrating it from the coast of what was vaguely known as Hudson's sea. Then, as now, industry was yet more spoon-fed and trammelled by the State in France than in England, and before they could attempt to put their enterprise into operation they had to journey to France to seek the patronage of the Court. For Groseilliers had been imprisoned and both the partners had been heavily mulcted for an enterprising voyage along the north shore of Lake Superior. Bitten as a few progressive minds may have been by the tempting prospects in the dangerous

adventure, it cannot be doubted that then, as now, the vested interests would be more powerful than the influence of these innovators, and vested interests were very powerful indeed in the fur trade of Canada. Groseilliers had already discussed his project in Boston with the captain of an English vessel, the "Nonsuch" (a ketch of fifty tons), and Colonel Carr, one of four Commissioners who had been sent out by Charles II on an official visit to the English colonies of North America. At the moment of despondency in Paris the adventurers again fell in with Colonel Carr (or Sir George Carteret?), and through his influence with the English ambassador they obtained a letter of introduction to Prince Rupert (the dashing and buccaneering prince, the third son of the King of Bavaria by Elizabeth Stuart, the eldest daughter of James I of England, who had placed his sword at the service of the Stuarts in their contests for the throne of England), to whom the wild adventure was likely to appeal. While a bold fighter, he was a poor strategist, and on receipt of the letter he put himself in communication with the Duke of Albemarle, who had been joint-admiral with him in the defeat of the Dutch shortly before, and who had shown equal ability in the government under the Commonwealth and in restoring the Monarchy. Their influence was effective with the King of England, and in 1668 Prince Rupert, among others, saw the "Nonsuch" off in the Thames on a trial voyage to Hudson's Bay. It proved successful, and the following year a larger vessel was engaged. In 1670 the famous Charter was granted to the Governor and Company of Adventurers of England trading into Hudson's Bay "for the discovery of a new passage into the South Sea and for the finding some trade for Furrs, Mineralls and other considerable Comodities."

It is worth while to record some of the early proprietors in 1667. Sir James Hayes held £1,800 stock, Carteret (one of the proprietors of Carolina in 1663, whom Dr. Bryce gives as Groseilliers' English patron) £600, the Duke of Albemarle £500, Prince Rupert £470, and among seven who each held £300, the Duke of York (later James II), Sir John Kirke (Radisson's father-in-law), and Lord Arlington £200. John Portman, citizen

and goldsmith (i.e., banker), was the practical business man. The total was £10,500. In 1673 a resolution was passed permitting new members to join on payment of £300, but no new member could purchase more than £1,500 stock. By 1675 there were only thirty-two stockholders. The stock was only dealt in privately, and was without an official quotation until the re-issue by the International Financial Society in 1863. The first public auction of furs, held at Garraway's in 1671, was attended by Prince Rupert, who was named as the Governor in the Charter, and the Duke of York, who succeeded him as Governor in 1683. On his accession to the throne in 1685 Lord John Churchill, afterwards first Duke of Marlborough, succeeded him till 1691.

War between France and England frequently had a disastrous effect on the Company of Adventurers' establishments, and bitter were their complaints to the Government, until the Hudson's Bay territory was ceded to England definitely at the Peace of Utrecht in 1713. On the news of the conclusion of the Treaty a General Court was convened to consider the situation. The Company's losses sustained during peace between 1682 and 1688 were estimated at £38,332 for seven ships and their cargoes taken at sea and six forts and a great quantity of goods taken on land, with interest amounting by 1713 to £62,210. While Commissioners were still discussing the question of boundaries, the Governor, Sir Bibye Lake, Bart., was hastily recalled from Paris. Harley in London and Law in Paris had fomented the eighteenth century frenzied finance which comes down to us in history branded as the South Sea Bubble, and directors of the Hudson's Bay Company were involved in the scandals. The phenomenal success of the South Sea Company, which in 1720 proposed to take over the whole of the National Debt (only some £30,000,000), gave birth to an orgy of company promotion. Anticipating Mr. Wilkinson by a hundred and fifty years, an enterprising agitator saw a golden harvest for the proprietors of the Hudson's Bay Company through mere stock manipulation. The Company's assets were valued at £94,500. It was proposed to issue fresh stock for £378,000, divided into 3,780 shares of £100 each. To do this, the existing stock, £31,500, had to be re-issued in

945 shares of £100 each, in order to bring the value of the share into relation with the valuation of the assets. It is not surprising that a majority of the Proprietors favoured the scheme; Mr. Beckles Willson tells us that one, a Mrs. Mary Butterfield, wrote: "I cannot tell you how it is to be done, for that passes my wit; but in short, the value of our interests is to be trebled without our paying a farthing; and then to be trebled again if the business is to the publick taste, and we are told it cannot fail to be." It is not without its lesson for us to-day that, in the opinion of Mr. Beckles Willson, "Had it succeeded and the flotation been carried out, it would have doubtless administered a death blow to the Company as then organized, and would probably have involved the revocation of its charter in view of what was soon to occur" (*The Great Company*, I, p. 264). But the slump started before the scheme got fully under way. The nominal capital had, however, been written up to £30 for each £10 paid in.

On the visit of Peter the Great to England in 1697 it was natural that among the things that interested him there not the least was the great English Fur Trading Company. But it was not until the end of his life that his own schemes for competing with it came to maturity, and the Russian Fur Company came into being. He had still to ascertain whether his Asiatic empire marched with North America, or whether there was in fact a North West Passage. The leader of the first expedition, Behring, gave his name to a sea to become only second in importance in the fur trade to that of Hudson.

In the middle of the eighteenth century the Hudson's Bay Company was again confronted by the evils of war. This time the Board instructed their factors to be prepared to defend their possessions with their own arms, and letters of marque were obtained for their ship "Prince Rupert" against both France and Spain. After the failure of the Young Pretender's rising a motion was made for the confiscation of his inheritance from James II of his Hudson's Bay stock. At home the Company had to face the agitation of Arthur Dobbs who, unconvinced by the Russian discoveries, was set on further exploration for the North West Passage from the Atlantic. His

persistence resulted in the Parliamentary committee appointed in 1748 to enquire into the state and condition of the countries and trade of Hudson's Bay, and "the right the Company pretend to have by charter to the property of the land, and exclusive trade to those countries." The Select Committee reported the following year in favour of the Company. Shortly after the Lords of Trade and Plantations disallowed the petition of "several London Merchants" for the grant of a charter for Labrador, where the Company were already established. With the fall of Quebec the Company made another effort to have satisfaction of their old claim to compensation for depredations by the French, and the vexed question of the boundaries of Rupert's Land, settled in the Treaty which would follow, but without success. It was not long before they had another claim to add to it. In 1782, war again having broken out with France, La Pérouse with a squadron sailed into Hudson's Bay, and although he was not as successful as he had expected to be in capturing rich prizes at sea, he destroyed a couple of important forts on land, and a great quantity of stores and furs. This time the French agreed at the peace to pay the bill, but the Revolution broke out before payment had been made, and a foretaste of the results for British investors of the Russian Revolution was experienced. The Napoleonic wars not long after seriously restricted the Company's Continental markets.

As the French withdrew from Rupert's Land (1713) and again later from Canada (1763) the place of the responsible fur merchants licensed to trade was taken by irresponsible adventurers, dismissed and other ex-employees, and Scotsmen entering, as is their custom, the newly acquired country, through Montreal, and their dealings with the Indians were much less scrupulous, and their regard for life much less orderly, than that of the Company's servants. But the more far-sighted Scotsmen soon began to bring order out of the chaos, and in 1784 Joseph Frobisher, Simon McTavish, and other merchants of Montreal combined their forces in the North West Company. They were still opposed, among others, by Alexander Mackenzie, the famous explorer, who later gave his name to the great Mackenzie River,

which he was the first white man to follow to its debouchure in the Arctic Ocean, as subsequently he was the first to traverse the Canadian Rockies to the Pacific Coast. Three years later, however, he and his partners also allied themselves with them: While it is unnecessary to enter into the details here, it is important to remember for the correct understanding of the controversies in the Hudson's Bay Company later between the Wintering Partners who did the work in Canada, and the British Partners who only lent money and drew the dividends in London, that this Company was founded on the system of giving the actual traders shares in the enterprise, the "agents" in Montreal for their proportion of the shares undertaking to find the advances of capital, for which interest was charged, and the trade goods, on the purchase of which a commission was charged. A retiring trading partner could nominate his successor from among the junior traders in the enterprise.

When Mackenzie reached the Pacific Coast by land in 1793 he had been preceded by Captain Vancouver, the discoverer of British Columbia by sea, only three years earlier. In this same year Gray, sailing from Boston, had entered the Oregon River to the South. A little earlier, in 1781, Shelekoff's Russian expedition had reached Kadiak Island, and the mainland at Sitka in 1799; in the latter year a charter was confirmed at St. Petersburg in favour of the Russian-American Fur Company. La Pérouse had made a descent on the coast with two frigates in the name of France in 1787, but his vessels were wrecked before he returned home. Thus the Hudson's Bay Company's hinterland was threatened by enterprising competitors from both East and West. But the Company was not in a position itself at that time for bold developments; harassed by the European Wars, in 1802 it was obliged to borrow £20,000 from the Bank of England.

A couple of years before, in the North West Company, Alexander Mackenzie and Simon McTavish had again quarrelled, and the former came to England, where he was very properly knighted in recognition of his adventurous discoveries. Returning to Canada in 1801 he founded the New North West Company (Sir Alexander

Mackenzie and Co.), generally known as the XY Company from the mark on its packs. Sir Alexander Mackenzie returned to London a little later to seek a licence for a company of British merchants to be established in London under the name of "The Fishery and Fur Company," to fish from the West Coast, and establish through communication by land in furtherance of the fur trade, "through the channel of the possessions and factories of the East India Company in China," "to the incalculable advantage" of the above trades. He was thus the forerunner, by half a century, of the activities of Governor Dallas in the Pacific and China when the Hudson's Bay Company became active in British Columbia, and of Sir Edward Watkin when he sought to develop overland communication. Sir Alexander Mackenzie showed as much vision and energy in progressive commerce as he had done as an intrepid explorer. But he failed to enlist the Government's support. For that also it was necessary to wait half a century. On Simon McTavish's death in 1804 Sir Alexander Mackenzie rejoined the North West Company, and a progressive spirit was shown. They established some of their members in London as "agents," and the unrulier *coureurs des bois* and wilder spirits carried their competition with the Hudson's Bay Company to the lengths of raiding their stores and murdering their servants, against the wishes of Sir Alexander Mackenzie. Sociologists will reflect on the likeness to the weakening of the moral ties after the Great War and the great revolution which followed at the beginning of our own century, and the jealousies of the profits of a monopoly which we see in the American illicit liquor trade to-day. In the meantime the furs which lacked an outlet on the Continent were accumulating in the Hudson's Bay Company's warehouse, and in 1808 no dividend was paid. In the following year the Company were driven to petition the Government for assistance, but then met no such ready ear as that of a Coalition Peace Cabinet, or a Trade Facilities Act at the public risk. They were therefore thrown back on their own resourcefulness, and to meet the pressure of the North West Company they introduced a profit-sharing scheme for their own officers, and other reforms.

The great decline in the stock of the Hudson's Bay Company enabled the benevolent Earl of Selkirk, who had already interested himself in emigration to Canada as a relief to the distress of the Highland crofters disturbed in their possessions at this time, to acquire a preponderating amount in order to promote a settlement at Red River. A General Court was convened to consider his proposals, and "in order to give the partners a further opportunity of making themselves fully informed of the nature of the proposed measure, an adjournment of the Court took place," notice being given to all the stockholders that the terms of the proposed grant could be examined at the offices. Conservatism, as before at the Board, was voluble, but the motion in favour of the grant was carried. A memorial was entered against the proposal by six proprietors, of whom three were interested in the North West Company, two of them being its agents in London (their principal agent there, Simon McGillivray, engineering the purchase of their shares). They had acquired the stock a couple of days before the meeting, and were not entitled to vote. "In reading the protest of the dissentients amongst the Adventurers, one who was ignorant of the true state of affairs would have been led to believe that they had no object so dear to them as the welfare and prosperity of the Hudson's Bay Company. These gentlemen appeared to be animated by the most thorough devotion and zeal, as they stood together declaiming in loud, earnest tones against the errors into which their beloved Company was falling, and pouring out their sympathy to the emigrant settlers who might be lured to their destruction by establishing themselves on the lands so granted 'out of reach,' to employ their own phrase, 'of all those aids and comforts which are derived from civil society;' and so it did truly appear to many then as it has done since. But as has been observed when we examine those signatures, lo, the wolf obtrudes himself basking in the skin of a lamb!" (Beccles Willson, *The Great Company*, II p. 147). The territory granted was considerably larger than Great Britain. The first emigrants arrived at York Factory in 1811. Like many visionary efforts, the scheme was before its day. As with most of such spoon-fed enterprises, it seems to have

collected a large proportion of the less competent and reliable individuals, the Glasgow contingent in particular giving the Governor much trouble. McGillivray maintained the hostility in London, and in Montreal the Hudson's Bay Company's Charter was again called in question, though the Earl of Selkirk had taken the precaution to obtain expert counsel's opinion once again before embarking on his scheme. The turbulent half-breeds, or *Bois-Brûlés*, were enlisted in the service of the North West Company, they having sprung rather from the French of Canada than the English of Hudson's Bay. One of them, Cuthbert Grant, served the office of leader as Louis Riel did sixty years later under somewhat similar conditions, abetted by two North West partners, Duncan Cameron and Alexander McDonnell. On his side, the Earl of Selkirk obtained the services of an expert North West trader, Colin Robertson, to manage his traffic, and of an ex-officer, a Loyalist of New York, Miles Macdonell, as Governor of the colony. The colony was harassed, the Hudson's Bay Company's posts were pillaged, one Governor of Rupert's Land was taken prisoner, and another murdered. Military aid being refused to the Earl of Selkirk by the Governor of Canada, Sir Gordon Drummond, he himself enlisted mercenaries from the discharged European soldiers who remained in Canada, and, himself being a magistrate for the country, he issued a warrant after the murder of Governor Semple and many others for the arrest of William McGillivray and the other partners of the North West Company. On his treating them with consideration, they promptly broke their parole. On the arrival of his prisoners in Montreal, they promptly obtained from their friends there bail for themselves and a warrant for the Earl's arrest. The Earl ignored it and remained at Fort William, and before the winter had passed (1817) the Governor-General of Canada was instructed by the Home Government to provide for the restitution of the property of both companies, and to require that the traders and other of his Majesty's subjects should be allowed to pursue their way without molestation. Two responsible commissioners, Colonel Coltman and Major Fletcher, were sent into the interior to carry these orders into effect.

On the return of the commissioners to Canada, and of the Earl of Selkirk to England, the disorderly competition was renewed. The respective causes being tried in Eastern Canada, the seat of the North West Company, the Earl of Selkirk and the relatives of the murdered Governor Semple received poor justice; shortly after locusts ruined temporarily the Red River Settlement.

When it began to recover in 1821 the Earl, whose health had been shattered by his efforts, was already dead.

"The news of Lord Selkirk's actions had all arrived at Montréal through the North-West sources, so that both in Quebec and London a strong prejudice had sprung up against his Lordship. Colonel Coltman found, however, that Lord Selkirk had been much misrepresented. The illegal seizures he had made at Fort William were dictated only by prudence in dealing with what he considered a daring and treacherous enemy. He had submitted to the ordinance recalling magistrates' commissions immediately on receiving it. Colonel Coltman was so impressed with Lord Selkirk's reasonableness and good faith that he recommended that the legal charges made against him should not be proceeded with." (George Bryce [Professor in Manitoba College, Winnipeg], *The Remarkable History of the Hudson's Bay Company*, p. 253.) Colonel Coltman had no reason to be prejudiced in his favour; as Dr. Bryce states on the preceding page, he was a merchant of Quebec, a lieutenant-colonel in the Militia, and he was appointed, on pressure by the Colonial Office at home, by the Governor-General, Sir John Sherbrooke, who had taken no steps to render the Earl of Selkirk the aid for which he had appealed.

Less intransigent than the McGillivrays, Edward Ellice, the son of one of the agents of the North-West Company in London, recognized that the unruly competition would not be allowed to endure, and the death of Lord Selkirk occurring at the same time, he made efforts to secure agreement before it was too late. At the early age of fourteen he had been out to Canada (1803) and tasted the life of adventure of the fur-trader, but he settled down in London on his return, and later became a distinguished Member of the House of Commons. In 1821, when the partnership in the North West

Company expired through flux of time, he succeeded in carrying the other London agents with him in bringing about a union with the Hudson's Bay Company under the name of the latter. Under the agreement the expense of the establishment was to be paid out of trade, and no expense of colonization or commerce outside the fur trade was to be borne by the Company. (It will be found that this had its repercussion later when Ellice was an old man still wedded to the past.) An equal amount of capital was to be found by each party. Forty per cent. of the profit shown in Profit and Loss was to be shared between the chief factors and chief traders; a loss on one year was to be made good out of the profits of the ensuing year. The first fifty-three officers were to be named in alternate succession by the two Companies. Delegates of the North West Company were sent from Fort William to confer in London as the expiration of the term of their partnership approached, but they found that the matter had already been settled in London without them. Thus, among many others in like case, the half-breed Cuthbert Grant (the educated son of a former leading Scots officer of the North West Company), who in the persecution of the Red River Settlement in 1815 had ordered "All settlers to retire immediately from the Red River, and no trace of a settlement to remain," and had led an armed attack on those who did so, wounding most of them, and destroying their houses, and who had repeated his onslaught more disastrously the following year, killing, among many more, the Governor, Robert Semple, became a servant of the Hudson's Bay Company and settled down to become the most conspicuous figure of the Buffalo country as "Warden of the Plains."

The bitter strife with which the fierce competition had been conducted no doubt owed something to the lingering inheritance of the descendants of the poor and proud marauding clansmen of the Highland glens, which led them to speak contemptuously of the Hudson's Bay Company's officers as "the Orkneymen." After the conquest of Canada by the English they supplanted the French in the fur trade, and approaching the North-West by the long-established, but arduous, route by river and lake from Canada, it was natural for them to be jealous

of the servants of the Hudson's Bay Company, who, ascending the rivers that flowed into Hudson's Bay, claimed exclusive rights over their country in virtue of an ancient Charter whose draughtsmen would have been quite unable to describe the unknown land they were granting. No doubt some zest was added by a survival of old feuds in Cameron against Macdonnell, some added lawlessness from the spirit evoked by the French Revolution and the Napoleonic Wars.

The new management was fortunate in their choice of a young Scotsman, George Simpson, who in the London office had come under the favourable notice of Andrew Colville (Deputy-Governor 1839-1852, a relative of Lord Selkirk), as the first Governor in Canada of the joint enterprise. He had been sent out to the Athabasca district, in the far interior, in 1820. He was an indefatigable traveller both through the Company's territories on their business and beyond, and in this capacity he was knighted some twenty years later.

In this way the fiery adventurers approaching Rupert's Land by river and lake from Eastern Canada joined forces with the more stable enterprise, whose line of communication was by ship through Hudson's Strait, managed with ripe experience from London. But it did not end competition. John Jacob Astor, an able German who, having emigrated to New York, acquired knowledge of the fur trade in Canada, and returned to establish American Companies, pressed the new partnership from the South, and particularly from the West, and drew experienced North-West traders to his service. From the North Pacific the Russians were also encroaching southwards, and there was a clash among the West Coast Indians which was also not without its incidents. The Hudson's Bay Company had done something to mitigate the inroads by leasing in Russian Territory in 1839. Against the Americans they had to submit to seeing the territory they had developed expropriated and relinquished by the Home Government under the Oregon Treaty of 1846, on the wider issue of propitiating American amity, in spite of their protest against its injustice. To protect the territory for the British Empire and ensure orderly trade, the Company had been granted in 1821 a Royal licence for

21 years, which had been renewed for a further period of 21 years before its expiry. The Treaty provided for the appointment of two commissioners, one by the United States and one by her Majesty, to examine and decide upon the claims arising out of its provision. The Hon. John Rose was appointed on behalf of Canada. Their award was not issued until 1869. In the North the question of the Alaskan boundary, when the United States purchased Alaska from Russia for the small sum of £7,000,000, which in these days the Hudson's Bay Company could easily find itself, became another threatening question when there were discoveries of gold on the border. It had another reaction on the Company in that the Americans, having already acquired in this manner the Hudson's Bay Company's important source of fur seal skins, claimed to exercise jurisdiction over the seals at sea as well when the enterprising Japanese and British Columbia hunters began to take them from open boats beyond the three mile limit. The friction between them and the Americans at the time of the Behring Sea Arbitration in the last decade of the nineteenth century led to the Hudson's Bay Company again becoming a seller of fur seal skins in the London market, for it then becoming distasteful to the British Columbia shippers to continue to sell through Messrs. C. M. Lampson & Co., the agents for the sale of the American skins for the licensee from the United States Government, the Company consented to make an exception in this instance to their practice of only selling furs owned by themselves. In 1913 a St. Louis firm was at last successful in persuading the American Government that on patriotic grounds American national skins ought to be sold in America, and Messrs. Lampson, and London, lost the sale of these skins to them. By then the pelagic sealing had already become of little account.

When the question of the renewal of the licence for the British Columbia fur trade had again to be considered, and a generation of enterprising emigrants from the East had gradually again been percolating into the West, the question of the Hudson's Bay Company's privileges once more became the subject of political controversy, fanned by the fiery eloquence of W. E. Gladstone. A select Committee of the House of Commons was appointed in

1857 to investigate the question once more, and the bulky Blue Book which contains its report and the evidence has become a classical work on the history of the Hudson's Bay Company. While Gladstone sat as an active critic on one side, the Rt. Hon. Edward Ellice, M.P., with the practical business experience of a lifetime, sat on the other, and he left his place among the members of the Committee to give evidence; the Rt. Hon. Henry Labouchere (afterwards Lord Taunton) was in the Chair. The Committee was a distinguished one. The first witness examined was the Hon. John Ross, the President of the Grand Trunk Railway of Canada. He wanted Rupert's Land to be opened to settlement, but he thought it would be "a very great calamity if the Hudson's Bay Company's control and power were entirely to cease," an opinion he had formed owing to the peace they had maintained in the Indian territory contrasted with the constant warfare with the Indians which had gone on south of the border. "I believe there are certain gentlemen at Toronto very anxious to get up a second North-West company, and I dare say it would result in something like the same difficulties which the last North-West company created." Mr. Gladstone's unfavourable proposals were only defeated by the casting vote of the Chairman.

Although the Company's privileges of exclusive trade were thus again secured to them, it was not long before their affairs were once more drawn into the political arena. Edward Watkin, the restless engineer who promoted the Grand Trunk Railway, was eager to extend it westwards, and to construct a telegraph line across the Continent, with Government aid. He enlisted the interest of the Colonial Secretary, the Duke of Newcastle, but the Government were chary of committing themselves to the expenditure, and the Hudson's Bay Company were no more disposed to welcome this form of penetration of their preserves than they had been in the case of its predecessors. The reply voiced by their Governor was, "Buy us out."

III.—The Modern Company

ON many grounds the re-issue of the Hudson's Bay Company's stock by the International Financial Society in 1863 is a convenient starting point for a more detailed examination of its financial history. It is true that the disputed monopoly of trade in Rupert's Land was not relinquished until 1869. But we have seen how the advance of settlement from across the frontier of the United States on the 49° on the South, and the complications arising from the same penetration in the West, in addition to the ambitions of Canadian statesmen and financiers in the East, had resulted in a Parliamentary ~~Commission of Enquiry~~ in 1857. Although Joseph Berens, Governor from 1812-1822, was among those who supported the Earl of Selkirk in his attempts to found an agricultural settlement, his successor Henry Hulke Berens, who was Deputy Governor at the time of the Commission in 1857, and became Governor in the following year, showed as little disposition as Edward Ellice to open up Rupert's Land. His reply to Edward H. Watkin, speaking for the enterprising capitalists who wished to extend their dominion West of Canada proper, was "Buy us out," and at length they saw nothing for it but to do so. As it happened there had recently been founded The International Financial Society, and this promotion was a fine send-off for it. "One of the most remarkable financial events which the world has ever seen has happened this week," wrote the *Economist* in its front page leading article (4 July, 1863). "It is in a peculiar sense a meeting of the past and the present. That the Hudson's Bay Company created by Charles II, at the request of Prince Rupert, should in any sense be bought by the International Society, an imitation of the *Crédit Mobilier* which was established under the auspices of Louis Napoleon, is a strange event in itself. The magnitude

of the transaction is stranger still. The Hudson's Bay Company is by far the largest private land owner in the world." The Prospectus appeared in July, 1863, and it is a document which in itself gives rise to an interesting crowd of reflections to-day, and not least so from the mere mention of the names of the new Directors. The International Financial Society did more than dress the window with glittering titles, the "peers who go down to the City to repair the family fortunes." To quote that same article in the *Economist* again, "We may say that, all things considered, such a list of Directors has rarely been prefixed to any undertaking, whether we consider known standing or tried ability. If such men were to put their names to a Company for conveying emigrants to the moon, the shares would rise to a premium."

Directors.

Rt. Hon. Sir Edmund Head, Bt., K.C.B. *Governor.*

Curtis Miranda Lampson (C. M. Lampson & Co.).

Deputy Governor.

Eden Colville.

George Lyall, M.P.

Daniel Meinertzhagen (F. Huth & Co.).

James Stewart Hodgson (Finlay Hodgson & Co.).

John Hy. Wm. Schröder (J. H. Schröder & Co.).

Richard Potter.

What more fitting Governor could have been found as an earnest of a broader policy to satisfy the statesmen and the politicians, and of stability to satisfy the new body of shareholders, than the late Governor-General of Canada? Sir Edward Watkin says in his *Canada and the States, Recollections 1851 to 1886*, "Sir Edmund Head was appointed Governor at the suggestion—almost the personal request—of the Duke of Newcastle." Whose name could appeal more readily to a new public anxious to participate in the legendary profits of the Fur Trade than that of Mr. Lampson? When the house of the enterprising German trader John Jacob Astor had attained a commanding position in the Western American States, not satisfied that their furs were being handled to the best advantage in London, they had sent young Mr. Lampson to London to report on the subject. He had shrewdly

recommended that he should be given the charge of the firm's interests in London, and when the American fur companies split up, and their business passed into private hands, he held a commanding position, with the valuable support of George Peabody, who had established in London in 1837. It was an adroit move on the part of the promoters, who aimed at breaking down the fur trade tradition of the old Company, and replacing it by the policy of settlement and civilization, to secure the services of one whose business experience had been acquired under the same processes in the Western States. It will soon be seen how this re-acted on the new Company. Eden Colville was a link between the old and the new. He had himself been out to Winnipeg in 1851, no mean undertaking for a director in those days. The Duke of Newcastle, in moving the second reading of the British Columbia Boundaries Bill in the House of Lords on July 2, 1863, said with Mr. Colville he "had had much personal communication, and he could speak in the highest terms of him as a man of business and good sense." (In that speech the Duke of Newcastle announced that the Hudson's Bay Company and the International Financial Society had come to an arrangement that afternoon. "He had not received any official communication on the subject, but some of the gentlemen concerned had been kind enough to inform him of the facts.") Mr. Lyall, too, was a connecting link between the old company and the new. The name of Daniel Meinertzhagen of the firm of F. Huth & Co. is of interest to a later generation; early this century the firm was to establish Fur Sales in London in direct competition with Messrs. C. M. Lampson & Co.'s, and thus in indirect competition with the Hudson's Bay Company, selling for those who competed with them at their Posts in Canada. Mr. Hodgson, while the name of his firm on the prospectus is that of Finlay Hodgson & Co., represented the interest of the Barings in the new promotion; he was to retire from the Board not many years later on the ground that a director in London could exert no adequate control over the proceedings in Canada. The name of Mr. Schröder shows the further financial backing which was found necessary for this promotion, Mr. Watkin's hopes for Government aid not having materialized.

Finally, the bald name of Richard Potter is of no little interest in reminiscences which begin with the mention of that of the philosopher Herbert Spencer. Life-long friends, in early years Mr. Potter had interested himself in Spencer's plans for the invention of a flying machine. He had been an original director of the "Great Eastern" company, but withdrew, Herbert Spencer tells us in his Autobiography, because he did not approve of the financial tactics of Mr. Brunel in raising the capital; "the history of the vessel was a history of commercial failures, until its final breaking up." At this time the Chairman of the Great Western Railway Company as well as influentially interested in the International Financial Society, Mr. Potter was the "able negotiator completing this great transaction," and the name of this Radical capitalist might well add strength in those Gladstonian days to the enterprise. It was he that undertook for Sir Edward Watkin to continue the discussions with the Colonial Office and the completion of other details when the latter left hurriedly for Canada, he having "much apprehension that if the unexpected sale and transfer of the share property, under terms and conditions in every sense unique" reached the ears of the officers from unfriendly sources, and their interests were not studied, "we could not expect to elicit either their energies or their adhesion to a new order of things." Sir Edward Watkin says in his *Recollections* that a seat at the Board was left vacant for him, but he was not in fact ever a director. Perhaps he was appeased with the auditorship.

What were the inducements offered to the public to subscribe? "Assets, as recently and specially valued by competent Valuers, £1,023,569. Cash balance £370,000. Landed Territory = 1,400,000 sq. m. or over 896,000,000 acres." Nor was all this last of the hypothetical value of Rupert's Land. As the prospectus stated, besides the chartered Territory, there were several valuable plots of land in British Columbia, at the mouth of rivers, building sites in Vancouver's Island, 10 sq. miles at Lacloche on Lake Huron, and tracts of land at 14 other places. There was the Puget's Sound Agricultural Company, established by the Hudson's Bay Company on that attractive inlet running south from Vancouver's Island into what became

later Washington Territory, over which controversy raged between the British settlers and the United States until the Oregon Question was embodied in the Treaty of 1846, and in respect to which the commission appointed under that treaty eventually in 1869 awarded to the Hudson's Bay Company—\$200,000 compensation in respect to the Puget's Sound Company alone, its property remaining a valuable asset, though its name seldom now transpires either in the Accounts or at the General Courts. And then comes the announcement of the *raison d'être* of the new Company: negotiations for telegraphic and postal communication, made through H.M. Government, based on a 5 per cent. guarantee from the governments of Canada, British Columbia and Vancouver's Island, with H.M. Government signifying the intention of providing further aid in the shape of land grants of about 1,000,000 acres in Crown territory traversed by the proposed line, with Mr. Edward Watkin to be commissioned with others to visit Red River (Winnipeg) and southern districts and consult with the Hudson's Bay Company's Officers regarding the line and other developments.

That surely was a dainty dish to set before the investing public, rich in promise for the future. How came it, then, that, as the Accounts subsequently revealed, the Company still had unissued shares on hand? We may suppose the public were not uninfluenced by the fact that the International Financial Society had still to win its spurs, and that those conservative and obdurate gentlemen ruling in Hudson's Bay House had been willing to sell for £1,500,000 that for which the public was now asked £2,000,000. The investor of that day appears to have been (I had almost added "and indeed was," but remembered in time that the epoch of the South Sea Bubble had already spent itself more than a century before) more cautious than he is to-day. A Whiggish writer reviewing this promotion six years afterwards (*The North British Review*, March, 1869) says: "The season was propitious for the transaction. Money was plentiful and the public credulous. New companies were projected daily, and 'floated' in the course of a week. The shares in concerns which a few years afterwards were proved to be utterly rotten then commanded enormous premiums. But no

success was comparable to that achieved by Finance Companies. They were founded in order to undertake the lucrative business of company-mongering. Not only did their proprietors succeed in this, but they were as successful in convincing shareholders that the true secret of rapid money-getting had at last been found. The days of five per cent. were sneered at as times when antiquated prejudices reigned supreme. Dividends of twenty per cent. were stated to be the minimum amounts which an enlightened shareholder in the glorious nineteenth century might depend upon securing from the capital entrusted to the astute directors trained in the new school of finance. A favourite occupation of these financiers was the remodelling of old companies, and converting private firms into public companies. That the public was not benefited by these operations is quite certain. Some persons must have been gainers, for in all financial operations of this kind a large toll is levied by those through whose hands the sums pass. Without giving any opinion as to the propriety of the transference itself, and admitting that all the parties concerned may have been highly honourable men, let us simply note the fact that in 1863 the Hudson's Bay Company increased its capital and enlarged the number of its proprietors. At that date the share capital, which was £10,500 in 1676, had been raised to £500,000. The International Financial Society undertook to issue new stock, and thereby increase the amount to £2,000,000. The general public had now an opportunity for securing an interest in this prosperous and ancient Company. At the time it was thought the old proprietors had made a good bargain for themselves, and that the new ones would be disappointed in the anticipations they had formed. Nevertheless the transfer was duly made, the shares—which had formerly been dealt in privately—were admitted to a quotation in the list of the Stock Exchange, and every one appeared satisfied with the various arrangements. It is probable that the old proprietors, who parted with their stock at an enormous premium, are now congratulating themselves on their cleverness, and pitying the folly of their successors, for the new shares on which £20 have been paid now fetch £13 10s. ! This means that the barometer of the

money market is at Stormy, as far as the Hudson's Bay stock is concerned."

The writer then goes on to compare the statements in the prospectus—"a large area of the lands on the southern frontier is well adapted for European colonization, the soil fertile and capable of sustaining a numerous population, the territory, moreover, rich in mineral wealth"—with the evidence of the late Governor in Canada, Sir George Simpson, and the late Deputy Governor in London, Mr. Edward Ellice, M.P., before the Select Committee six years before, representing the unfitness of the whole territory for colonization, and resumes: "As a rule, it is imprudent to put implicit faith in the paragraphs of prospectuses. These documents are often framed with a view to dazzle the imagination rather than inform the mind. In some parts of this prospectus the play of a vivid fancy might be inferred, and the desire to attract capital may have as strongly influenced its concoctors as the wish to furnish a plain unvarnished tale. Yet no doubts can be cast on the genuineness of the admissions, which tally with what independent testimony has corroborated, while contradicting the assertions of the Company's ablest servants and most powerful shareholders. Thus a controversy no longer exists between the persons denying the suitability of the North-Western territory for colonization and those upholding the opposite view. That the wilderness can be reclaimed is certain. The words which Douglas Jerrold applied to the rich soil of our Australian colonies are equally true of the basin of Lake Winnipeg:—'Tickle it with a hoe and it will laugh with harvest.' The problem is how to induce the settlers to take possession of this rich domain. Fertility is not everything. The rose gardens of Cashmere would be worthless, the vineyards of Champagne yield no profit, if they were inaccessible. A good road is as important a consideration as a temperate climate and a teeming earth. Now the drawback of the Red River Settlement is that it is practically cut off from intercourse with the rest of the world. Owing to the want of easy communication, its produce when sent to market cannot compete with that of other localities, owing to the cost of transit, while the prices of imported articles are very high for the like

reason. The truth is, as Mr. Ellice told the Select Committee in 1857, 'it is very difficult to settle wild countries, even in the best situations, without the advance of great capital.' It has been estimated that an expenditure of at least £25,000 yearly for some time to come will be necessary in order to render the territory of the North-West fitted for the habitation and enjoyment of civilized men."

That passage has been quoted at some length because, while a little sour, it gives the gist of the problems by which the new Board were immediately confronted, and which the Board of to-day still have to consider. As they read those concluding sentences the promoters might well, even after the experiences of six difficult years, have been surprised at their moderation. It will be the object of the following pages to ascertain how the expectations were fulfilled. Nor had the writer of the article in the *Economist* six years earlier, already quoted, been more hopeful. He finished up, "On the whole, therefore, it appears that the position of the new undertaking is one involving many serious difficulties. It is managed by some of the best men of business in the world, but able men of business have seldom undertaken a more difficult task. The enterprise is most interesting, the adventurers most capable, but the obstacles are enormous."

It was not long before the Deputy Governor threw an interesting light on the question of the "toll." Steering the new ship amid the difficulties on changing from the old to the new, with all the added political difficulties of a Ministry changing from Conservative to Liberal at home, and the conflicts and ambitions of men and of governments in a Colony divided in race and creed, the Overend Gurney failure, the Austro-Prussian War, the gathering clouds broke in a first storm of disappointed shareholders in 1868. Stung by the critics, Sir Curtis Lampson, Bart. (for the services of the Peabody Trustee had by now been fittingly recognised, though George Peabody himself had declined the honour of a Baronetcy), declared that when invited to join the Board he had said he could not consent to £500,000 being made by the transaction, and that they must pay to the Hudson's Bay Company £200,000

in cash and guarantee that all the money should be raised; "they kept a large number of shares, which were finally sold at a discount."

There remains the most interesting statement of all in the prospectus to the investor. The average net annual profits, after setting aside 40 per cent. for the Wintering Partners, for ten years ending 31 May, 1862, had been £81,000. That was enough to pay a dividend of 4 per cent. per annum on the new capital, if it be assumed that the development of the other reserves would at least earn sufficient to provide for wasting assets and depreciation. But it was not enough in itself to attract investors. While those referred to above as looking for twenty per cent. may be ignored, 4 per cent. is not enough to induce the public to invest in so speculative an industry as the Fur Trade. The first factor to emerge from an examination of the financial history of this Company is how the glamour of that uncertain asset, on which the promoters placed no estimate of value, and on which, following a conservative policy, every succeeding Board has refused to place any value in its Balance Sheet, has dogged it in "the barometer of the money market." The consequence has been that in the periods when it was producing windfalls, and in the sanguine hope of future windfalls, the public has had to pay for the shares at a price made by the sanguine bulls, and having done so it has been dissatisfied with the return received on the basis on which the capital was subscribed, and the Accounts are rendered. Yet with the prospect of such windfalls the investor ought to have been satisfied with the return of 4 per cent. from an enterprise offering such stability and such continuity. If I have had one fact more than another impressed on me by my Individualist friends and other statisticians, the former seeking to correct the false impression disseminated by Socialists who have formed their ideas from the conspicuous instances of a few very fortunate capitalists, it is that year in and year out industrial capital does not earn more than three to four per cent. How this is so was early brought home to me by one of these Individualist friends who drew my attention to the enormous proportion of businesses which sooner or later fail. Although this

should be a commonplace, how many investors take this into account in their calculations? The Fur Trade is notoriously speculative. Depending on fickle fashion, more costly than jewels because furs are perishable and fine furs soon lose their choicest lustre, it is the first of the luxury trades to be hit in times of depression. The soundest fur merchants have periodically to write down their stocks so drastically that all profit for the year is much more than wiped out; the less sound leave their creditors to bear their losses. Not many years ago a leading alienist commented on the large number of cases among members of the fur trade which came under his care in proportion to the importance of the industry. It is an exciting trade, and it is not alone that persecution which led Jews to form the habit of storing their wealth for preference in precious articles of small compass, easily hidden and easily removed, which has concentrated it largely in Jewish hands. The Hudson's Bay Company afforded a different people the opportunity of participating in the excitements of a speculative venture without too grave a risk. But it has not been alone in the selling market that the stability of the Hudson's Bay Company has precluded the great gains of favourable temporary speculations, the counterpart of which are failures and bankruptcy. In the vast territories in which their furs were collected, although their monopoly was gone, the Posts of the Hudson's Bay Company continued to be the mainstay of the Indians. When furs were eagerly sought, the runner, lightly equipped, penetrated into the interior in competition with the Company. If he ran up prices excessively and was caught in a decline before his furs could reach their market, he, like his brethren in the cities, failed, and his creditors suffered. The Company not only always met its obligations; when the lean years came they still took from the Indian unwanted furs which were his only means of wealth. They not only maintained the standing charges of their Posts all the year round; in the times of scarcity of country provisions they preserved him from starvation, and when the Government were brought to recognize their responsibility under the altered conditions they still administered the relief for them in a very economical manner. But the fact of

taking the Indian catch at the prevailing tariff based on the results of the sale of the Company's own returns was not an unmitigated disadvantage. In spite of all the elaborate investigations of statisticians and political economists, the golden mean in trade is never found.

The fat and lean periods still repeat themselves as in the days of the Pharaohs, and still to-day the commercial wiseacres are declaring, as did their fathers before them, that each succeeding depression is "unprecedented." It is as true to-day as when Luther coined the aphorism, human nature is like the rider who, having slipped over on one side and been restored with kindly aid to equilibrium in the saddle, promptly proceeds to slip over on the other. Human nature changes but slowly. Each succeeding generation of young men, believing itself wiser than its predecessors, as for the sake of progress it is wholesome for youth to do, ignores the benefit of the experienced advice of its fathers, burnt in their day, and proceeds in its turn to play with the fire. And well the cynical promoter knows it. Reckless promoters do not have to wait a full generation; the green harvest ripens quickly. That history will repeat itself, all may be sure. But when? That is the whole essence of the matter in successful business. Were but one man born with the gift of foreseeing the future he would draw to himself the whole wealth of the world much more rapidly than the testator who, providing for the perpetual re-investment of a very small sum, caused "Thellusson's Act" to be passed in alarm. The herd instinct which has produced a human society as we find it to-day, with the intricate ramifications of civilization, still acts powerfully in human affairs, is still easily stampeded, is still subject to exuberant hopes in prosperous times, and is too pessimistic in hard times. As long as the Hudson's Bay Company remained true to its sober traditions it will be found to have gained at least as much as it lost by the very conditions which appeared to many to be drawbacks to its operations. Those of a less confiding and more scientific frame of mind may entertain themselves by working out with the aid of graphs the rhythm of the ebb and flow in cycles of the quantities of the fur-bearing animals, arising largely from the better known alternating periods of fecundity and scarcity

in the rabbits and lemmings, simpler problems which science has not yet fully resolved, and correlating them with the cycles of American booms and slumps, which increasingly affect prices throughout the world. For the prices of luxuries, not least of all of furs, are much influenced by those Northern States, to-day wealthier than any others in such cold latitudes, now that Bolshevik activities have so largely infected Northern China and Russia. And when they have reduced those two rhythms to two lines, they will have to prepare a third, that fickle, entertaining wobble, the dance of fashion. And when they have prepared these they will have to reconcile them in some space-time formula; and still there will remain the uncertain human factor. Diverting as that form of penmanship is on the shelf, I do not propose to employ my time or my space on it here, for I am not sure that it would be profitable to the class of shareholder to whom these reflections are addressed. Personally I am not quite convinced that it would be more helpful to them than those systems at Monte Carlo of which we hear from time to time. But here Inkyo writes with reserve. For in his speech at the last General Court (June, 1930) the Governor said, referring to the modern methods of the Board, that there had been greater changes in the Company's trade in the last ten years than in the preceding fifty. Two years earlier he had already told how as the result of study and information (not long before he had established a scientific Investigation Department) "we have come to conclusions regarding the cycles of animal life which we believe may enable us to forecast to some extent the collection of fur." Now I do not doubt that the greater the knowledge of facts the sounder ought to be the decisions regarding policy. Only . . . Speaking in the Governor's place in January, 1931, the Deputy Governor prepared the minds of his hearers at an Extraordinary General Court of the Company for losses incurred during the current year, principally attributable to the fur trade, those on the Stores being "negligible," "estimated at approximately £600,000." Now £600,000 was an amount for the total value of the whole of a year's catch to the Hudson's Bay Company beyond shareholders' wildest dreams in those fifty preceding years, as any

friends in the Skinners Company can readily show us on referring to their catalogues for those years. To-day they would no longer know, for the Company no longer own all they sell. What, then, were those traditions? That in trading the Indians' furs, with all the difficulty of transport and the management of savages, childlike in their relation to civilization, that in bringing those furs to market and preparing them for sale in the raw state, there was a sufficiently wide field for the energies of one corporation; that they would not interfere in the next step, that of dressed and manufactured distribution, in the division of labour in a complex civilization. Arising out of this tradition there grew others of direct value to the Company. As the Indian grew to know that in good times or bad the Company's officers would always take his furs at a reasonable price, so the Company's customers grew to know that they would accept at their Annual Sales the price of fair competition in the trade, be it what it might, that there was no means of obtaining the Company's furs except by being the highest bidder at the Company's sales, that everyone was treated exactly alike, whether in a large way of business or a small one, whether he was English or foreign, Jew or Gentile; and that the Company's Broker would have the furs assorted as far as was humanly possible in exactly the same way, until it happened that the buyer in, say, Russia or America, gave his orders with perfect confidence for standard lots without ever seeing the skins, widely divergent in quality, colour and value as furs are. Part of the risk of the trade was in this way passed on. The speculative dealer knew that he had a whole year in which to liquidate his purchases before fresh goods of the same class could come into competition with him; the dealer who had acquired large stocks of the fur from the similar animals in other countries knew that the price made at the Company's Sale would largely regulate the price of the article for the ensuing season. There could be no bears at the Company's Sales, as long as rings were duly provided against. The price was therefore made on the judgment of the keenest specialists in the fur trade, with their local and national rivalries, rather than by half-a-dozen timid capitalists drawn from various vocations, in

life, meeting occasionally for an hour or two at a Board. However unfashionable a fur might be the low price would tempt someone; if he was successful in stimulating a demand, the Company, acquiring the next season's catch at the low price, reaped the reward at the ensuing sales. This old-fashioned Company, then, had no need to worry about training for "Salesmanship," about which these Americanized young people are making such a pother. Their customers sought them. And the fact that the officer and the Indian were so far removed from the mercurial market was not an unmitigated disadvantage. Of course the policy did not pass unchallenged; and it will be discussed at greater length later. This digression on the subject of the prospectus is already becoming too long.

Did the Company make good? In spite of the gloomy forebodings of the Whig writer, amply. An examination of the distribution from 1864 to 1930 will disclose the fact that the shareholders have received a return from trade alone, ignoring the return on the hypothetical asset of the land, of over-four per cent. The average of the total distribution is ten per cent. per annum. But that is a grey and dull aspect of reflections which promised the discussion of the romance of men in action. For that there must be a nearer and a more detailed approach.

IV.—The Political Factor

IN discussing in greater detail the history revealed through the Accounts of the Hudson's Bay Company, from whose point of view is it most useful to examine them? For this enquiry there is no such person as the average shareholder. The distributions will be viewed differently by him who has only a life interest from him who has only a reversionary one. It will be found that the Wintering Partner took a different view of them from that which prevailed in the comfortably warmed Board-room, or in the General Court at which the Proprietors were assembled. The shareholding jobber who is on the bear tack will suffuse them with an alarming red light; the one who is on the bull tack with a reassuring green. And the operator with borrowed money on margins thinks in different terms from the vicar's daughter who clings to her shares because Papa believed in them. A young lady conscious of the glory of a new-won diploma as a chartered accountant, who had never been taught the significance of Outfits and Returns, and the complications of an Outfit taking a year longer to reach one Post than another, and the Returns from one Post taking a year longer than those from another to reach the Sale-room, with the Wintering Partners' profits to be calculated, trained in a class-room by a professor steeped in the successive Companies Acts and without any practical experience at all in the arts of buying and selling, has been heard rebuking, with minatory finger, the venerable row of experienced business men on the opposite side of the table at a General Court for the incompetence and incomprehensibility of the Accounts they have presented, to the complete indifference and incomprehensibility of her older bonneted fellow-proprietresses around her. In this dilemma I propose to address myself to Mrs. Chump. It will be remembered that Mrs. Chump was "the wealthy Irish widow of an

alderman," who "pretended to be in difficulties with her lawyers, for which reason she strove to be perpetually in consultation with her old flame and present trustee Mr. Pole." Now as it happens Mrs. Chump made her bow to the public at about the time that the Prospectus of the Hudson's Bay Company was issued by the International Financial Society, and we may well believe that the provident alderman, or the astute speculative trustee, had freely taken advantage of the opportunity then offered. She herself was not old at the time. She was very avaricious about the amount which reached her for spending, but sadly too indifferent about the corpus whence it came. Though she gave solicitous instructions about the packing of her wine, recognizing that "bits o' glass and a red stain's not like your precious hope when you're undoin' a hamper," she accepted with due humility the chiding of her trustee (when she returned after having fled in a panic to her lawyers and instituted a suit against him), in the last words which are recorded in her history, "You're right, Martha; it's much better for us to examine accounts in a friendly way, than to have strangers and lawyers, and what not—people who can't possibly know the whole history, don't you see—meddling and making a scandal." This choice has further the supreme advantage that a young writer of the present generation, who has already won his spurs, has pronounced Mrs. Chump to be an "impossible" person. There is no risk, therefore, of my matter-of-fact young readers mistaking her for an actual person.

I can imagine Mrs. Chump's great-nieces to-day exclaiming as they finished the last chapter: "What, you mean to tell me poor Aunt Martha only got $4\frac{1}{2}$ per cent. out of all that money in the Hudson's Bay Company?" To which I reply: "And a very good return too," seeing that Aunt Martha contributed no ability, no industry, to its production, nothing beyond the loan of the capital left her by Alderman Chump. She had in addition greater pleasure from the fluttering excitement of her fluctuating income from the Hudson's Bay Company than she would have had if her trustee had invested in a prior charge security bearing a fixed rate of interest, and also any satisfaction she might derive from contributing to Empire-

building. Incidentally, it is an additional proof of her good fortune that he could not have obtained for her so large a return from gilt-edged trustee securities such as Consols.

To trace the nature of the vicissitudes in Mrs. Chump's income I propose, then, to take account only of the sovereigns which reached her pocket. It is not a baseless statement that statistics may be used in a way to prove anything. Even the wrangling of this generation in the ascendant at this moment which has disturbed me, and transformed my pretence of penmanship in my retreat into active penmanship, shows no agreement with regard to the latest year for which the Hudson's Bay Company has published Accounts. The Board announced in their Report that they were distributing a dividend on the Ordinary Shares from Trading of 10 per cent. Their principal critic at the following General Court found it to be not more than 4 per cent., or if the whole of the Trading Capital were taken into account, and not merely the nominal amount of the capital subscribed, 1½ per cent. A committee of the experts called in by the Board reported six months later that the average gross dividend paid over the past five years was 4.73 per cent., while the Board's Reports called it 14 per cent. Yet the sums in simple arithmetic are equally correct. It all depends on what figures they chose respectively to abstract from the Balance Sheet as representing the principal. Now while I do not doubt that Mrs. Chump heard much talk between the Alderman and his friends before the port was reached about Reserve Funds and hidden reserves, and the proper appropriation of the sums received as premium on the issues of new shares, I doubt if she heeded, and I doubt even more if she would have understood much about it if she had attempted to learn how she stood by reading a Profit and Loss Account and a Balance Sheet. I therefore propose to examine the result to herself from first to last in the one form with which she was concerned herself, the sovereigns which she received, and to assume that from first to last the Board made adequate provision for wasting assets, and for the reasonable upkeep and extension of the business, and distributed to the shareholders the profit to which they were reasonably entitled.

Before proceeding to the tables in which this is shown, there is one other consideration to provide for. Some doubt has been expressed on an earlier page about the value of discussing the fluctuations in the dividend on the basis of a procession of the fat and lean years in sequences of seven years as regular as the tides. Even more futile would it be for the present purpose to base it on the statistician's decades; convenient as man has found it over his long history for so many purposes to base his calculations on the total number of digits on his own two hands. Once again I shall base my calculations on the sovereign, though using the word in a different sense. As a constitutional king has to bear the reproach in history for his Ministers' acts however repugnant they may have been, so a Governor has to sign for the acts of his company, however little he may know of them, and however little he may sympathize with them. It is the convention that the members of his Board shall sit in silence with unexpressive faces however they may estimate his capacity for facing the music once a year when they are called on to render account of their stewardship, and for the staff on whom success or failure depends to remain unheard. It is the price of corporate action. I shall therefore divide the periods into the reigns of the Governors.

I have headed the first one The Political Factor, for this was the most important influence during the early years of the newly-promoted Company. The new Company was launched as the result of the pressure brought by Sir Edward Watkin on the Colonial Office in furtherance of Grand Trunk and other interests, and the pressure brought by the politicians in Canada proper, ambitious for the extension of their power Westwards under Federation, following the finding of the Select Committee of the British House of Commons in 1857. At once I am confronted by one of the statistician's many difficulties, and driven to abandon at the very outset the division I have only this moment proposed. Owing to a political factor. It was a sound step under the conditions just described to head the list of the new directors with the name of the late Governor General of Canada. Sir Edmund Head died in 1868, and it was no doubt an equally

sound measure to elect in his place the Earl of Kimberley. But in that year Disraeli's Government was defeated, and the Earl of Kimberley resigned on entering Gladstone's Government as Lord Privy Seal, shortly afterwards becoming Colonial Secretary. He was succeeded as Governor of the Hudson's Bay Company by Sir Stafford Northcote, who had been President of the Board of Trade and then Secretary for India in the Conservative Government. It would therefore be idle to consider Lord Kimberley's brief reign as a separate period.

How did Mrs. Chump fare in this all too political period? The dividends which reached her from trading were as follows:

				Price of £20 share at 31 December.
For the year ending 31 May, 1864	..	18/-		17½
Do.	1865	..	18/-	16½
Do.	1866	..	22/-	16½
Do.	1867	..	18/-	15½
Do.	1868	..	12/-	13½
Do.	1869	..	14/-	12½
				<hr/>
				£5 2 0

That is an average of 17s. per annum, or 4½ per cent.

The price of the share is given at 31 December as being likely to be nearer the mean, that at 31 May being more affected by Dividend prospects.

The earliest Reports are at once occupied with exciting problems. The quiet sale of the Company's assets without consulting the Wintering Partners gave them grave dissatisfaction, and the new Board became seriously alarmed lest they should resign and enter into active competition. We have seen that on this account Sir Edward Watkin raced to Canada even before the new Company was launched. There a letter followed him from the Governor, as soon as the Company had been floated, on behalf of the Committee authorizing his visit for the purpose of reporting to them on "the state and condition of the Red River Settlement, the condition of the adjoining territory, the prospect of settlement therein, and the possibility of commencing operations for an electric telegraph line across the southern district of Rupert's Land." He continued: "The Committee have full

confidence in your discretion and judgment, but they have deemed it right to associate with you in this inquiry. Governor Dallas, of the Red River Settlement, with whom they request you to communicate at once." In 1887 Sir Edward Watkin, characteristically, published not only this letter but their reports in his *Canada and the States: Recollections, 1851-1886*; and not only their reports, but some statesmanlike letters to himself from Governor A. G. Dallas, some of which the writer asked him to show to the Governor, Sir Edmund Head, as he was "so very hurried he had not time at present to write officially to the Board" (officers had no typewriters and few secretaries in those days). In the course of a letter to Sir Edmund Head, written in London, 26 August, 1863, in which "he closed his unpaid mission," Sir Edward Watkin wrote, "Several of the Hudson's Bay Company's chief factors and traders had, it appeared, addressed a memorial to the then Governor and Committee, some months ago, upon the rumoured sale of the property, and had been, as stated to me, informed that no transfer was likely to take place, or would in fact be undertaken without previous consultation; and yet these gentlemen learnt for the first time from the public papers that new arrangements had been made. It was not unnatural, therefore, considering the relations of these gentlemen with the Company, that they should feel much annoyed; nor was it, perhaps, surprising that an influential member of the body should have predicted a general resignation of the factors 'from Labrador to Sitka,' followed by a confederation amongst them, in order to carry on the Fur Trade in competition with the Hudson's Bay Company, they possessing, as was said, 'the skill, the will, and the capital to do it.' The appearance of Mr. Lampson's name as Deputy-Governor, in the absence of any prior explanation, aggravated the first feeling of distrust; for it was said that he and his connections had been, and then were, the Company's great, and often successful, rivals in the fur trade, carrying on a vigorous competition at all accessible points." The memorandum on the re-organization of management, signed jointly by A. G. Dallas and Edward W. Watkin, dated 7 August, 1863, contains much valuable information about the situation of the

officers, and good suggestions for reforms. As is well known, the 40 per cent. of the profits was divided into 85 shares, chief factors (15) receiving two shares each, and chief traders (37) one share each, the balance going to retired officers. It has an important bearing on subsequent events that the value of a 1-85th share on the average of the preceding thirteen Outfits had been £408. Steps had to be taken for surveying the route for the telegraph. The result of the arbitration regarding the Company's rights on the Pacific Coast under the Oregon Treaty with the United States was still being awaited anxiously. An alternative proposal regarding Confederation was under discussion between the Government in England and the Government in Canada. In 1866 the old Hudson's Bay House in Fenchurch Street was abandoned in favour of renting the London Docks Company's "fine new" Silk Warehouses in Lime Street.

Already in 1866 the critic, as he is called on one side of the table, the agitator as he is described from the other, was expressing his disappointment, and the Board replied to the onslaught of another Mr. Dobbs than the Arthur Dobbs of more than a century before, and an "independent shareholders' association." As a result of their urgency the Board took the satisfactory and interesting step of holding a referendum on the question whether the colonization of Rupert's Land should be undertaken by the Company itself or not. Voting by proxy was not then provided for under the Charter, and they issued a letter to every shareholder. They reported the result at the November General Court:

Yes:	122 voters,	5,308 shares,	£106,160 stock.
No:	496 "	53,492 "	£1,078,840 "
Doubtful:	18 "	2,116 "	

At that time there were 1,493 shareholders.

In the following year the political factor crops up again. The United States purchased Alaska from Russia, and the Hudson's Bay Company's lease there under the Russian Company, acquired in 1839, terminated. It was anticipated that the war of the United States on the Indians might result in some of them being driven across the border. The Confederation of the Canadian Provinces came into being on 1 July; the negotiations with the

Company were allowed to drift pending its completion. Although the Company had held bills against deposit with Overend, Gurney & Co. they lost neither principal nor interest through their failure; but its indirect effect is reflected in the sharp drop in the dividend the following year. And the Board attributed their failure to sell Hudson's Bay House in Fenchurch Street to the depression in the City. In 1868, as the result of a "friendly suit," the Chancery Court gave a verdict in favour of the Wintering Partners' claim to participate in its increased value. (The value was assumed to be £55,000. In the following year it was written down to £50,000, and it was not sold until the next year, for £45,000.)

The decline in the dividend in 1868 stimulated criticism, as always, and the General Court in November was exciting. By now, following Mr. Dobbs, Mr. L. W. Bonar had circularized the shareholders. The attack on Sir Curtis Lampson had been gathering momentum. The members of the fur trade held it to be inconsistent with the Hudson's Bay Company's policy of strict impartiality for so important a commission merchant in the trade to have access to the Company's private information. Nor did the feeling arise from that side only; Mr. Beckles Willson in his history repeats that his commercial connections had long been the Company's great rival in the fur marts, carrying on a vigorous competition at all accessible points. Sir Edward Watkin himself, in his *Recollections*, described him as "a rival fur trader of eminence and knowledge, and an American." He prints a letter from the Hudson's Bay Company's agent at New York, William Macnaughtan, who wrote to him 24 August, 1863: "To my mind the worst feature in the new Company is that of allowing a foreigner (American) to hold office.. He owes allegiance to the United States, *and his position gives him knowledge which no American should possess.* 'Blood is thicker than water,' says the proverb. Besides, he has his own fur trade to attend to, and it is as true now, as it was in old times, that 'no man can serve two masters.' As to the idea that being in the fur trade his experience and influence will benefit the new Company, will any furrier believe that? If the new Company will sell *all the furs they may have in their Warehouse at the time of their regular*

sales, holding back none, to raise prices, they will always have the confidence of the buyers, always get full value, and never require the influence or experience of any man." The letter is worth recalling to-day for the interesting comments the writer makes on the article which had appeared in the *Economist* of 4 July, 1863. He corrects an idea to which expression was given in it that civilization destroys the fur-bearing animals and that "the moment they become valuable to man, or disagreeable to man, they cease to live." Further experience has abundantly confirmed his contention that while the large animals, such as buffalo, deer, wolf, recede, the smaller animals, such as musquash, skunk, raccoon, fox, increase with the increase of food which man unwillingly provides for them, and it may be added with the recession through the protection man affords them in having driven away such deadly enemies as wolves and lynx. On the second point he also writes with force, "If the 'catch' is excessive this year, the supply will exceed the demand, and prices will fall, the hunt will be less 'eager' next year, and the animals will increase." This is well known with regard to farm-hands in the United States, and it was well marked, for instance, in the case of ermine in Canada towards the end of last century, and in the case of mole in England this century. The policy of the experienced old traders of the Hudson's Bay Company, under the monopoly was to give the Indians more than its proportionate value for common fur that they might not confine their trapping too exclusively to fine fur-bearing animals.

On 24 March, 1869, a Meeting was held to consider the proposals of H.M. Government for the transference of the Company's Territory to the Dominion of Canada. The opposition, as was to be expected, was led by Mr. Bonar; he pointed out that the £300,000 proposed as compensation from the Canadian Government was only equal to the International Financial Society's "scoop." A shareholder enquired whether the Wintering Partners would be entitled to a share of it, and he was told, No. It has already been mentioned how untoward political events complicated the issue at this crisis, Sir Edmund Head, bringing to the problem his experience as Governor

General of Canada, dying in 1868, and being succeeded as Governor by the Earl of Kimberley. In that year Disraeli's Government had passed the Rupert's Land Act, 1868, enabling the Crown to arrange for the transfer, but fell before it could give effect to it. Sir Stafford Northcote succeeded the Earl of Kimberley. The Whig writer already quoted is entertaining on the subject of the position which resulted: "Of all the puzzling situations contrived by the fertile brain of the sensational novelist or playwright, that in which Sir Stafford is now placed would appear to be the most embarrassing. . . . As Governor of the Company, he has rejected the proposition which as a legislator he might have sanctioned, and which as an ex-Minister he must still defend in Parliament. . . . Lord Castlereagh's very mixed metaphor is after all less absurd than has been supposed; for Sir Stafford Northcote does seem to have 'turned his back upon himself.'"

The stormy Meeting of the Proprietors of the Hudson's Bay Company was adjourned to the following month, and later in the year the transfer became an accomplished fact.

V.—Governor :

Sir Stafford Northcote, Bart., M.P.

THE Dominion Government had undertaken to pay the Company £300,000 on the transfer being completed on December 1, but the payment was withheld until the following year. The occasion of the delay was this. If the sale of the Company's business on advantageous terms to a new body of shareholders without the Wintering Partners being consulted or allowed a share in the profits of the transaction had raised a storm, the transfer of the fur trade territory to the Government in Eastern Canada without the population there being consulted, created a whirlwind. With a sick Governor at Fort Garry (Winnipeg), with the divergent interests of the Company's servants, of the settlers, of the *coureurs des bois*, of the Indians, with the assistance of the Jesuit missionaries (who exercised much influence over the superstitious Indians), and with Fenian intrigues across the border in the United States, the half-breed Louis Riel managed to lead his disaffected followers so far as to establish a provisional government of their own, and to keep at bay in the American frontier town of Pembina the newly appointed Lieutenant Governor, the Hon. William McDougall. This was a particularly humiliating position for this Minister, as he had been pre-eminently active in the Canadian Parliament and in London in seeking the inclusion of the territory in the Dominion of Canada. In the dilemma the Government in Ottawa appealed to Donald A. Smith. The career of this remarkable figure in the history of the Hudson's Bay Company will be considered later; it will suffice to say here that after over thirty years in the Company's service he occupied at the moment the advantageous position of Chief Factor in charge of the Montreal Department, and therefore he was at the heart of that Colonial civilization which was seeking to penetrate the North West, but had next to no

first-hand knowledge of it. To understand the complication it is necessary to recall that Confederation was brought about by the Conservative party, so-called, of the English-speaking and mercantile classes of Ontario and the Maritime Provinces; it was the so-called Liberal party which was mainly supported by the French-speaking Roman Catholic population of the province of Quebec. Donald Smith arrived just after Christmas, ostensibly as a Hudson's Bay officer, but with a commission from the Canadian Government in his pocket. He was followed later by Bishop Taché, a genial missionary, who had won the respect of the population of the North West by his devotion to his office there. On the arrival in the following August of the military expedition under Sir Garnet Wolseley, Riel fled. In the meantime successful representations had been made at Ottawa, and the Province of Manitoba was at once established with autonomous government within the Federation. The Dominion Government's payment of £300,000 to the Hudson's Bay Company had been withheld because the Hon. William McDougall had experienced opposition to his entrance to the Red River Settlement as Lieut. Governor of the North West. The Company replied by intimating to the Colonial Secretary that they would claim interest. At his suggestion Sir Stafford Northcote went to Ottawa in April to confer with the Canadian Government when the delegates from Fort Garry were there. It must not be supposed that this outbreak was any sudden uprising. As long before as the unrest occasioned by the transfer of the old Hudson's Bay Company's privileges to the new one Governor Dallas, a well-informed and experienced man, with local knowledge of the Company's affairs as well as of business in China and the Pacific, had written to warn the new Board that "A continuance of this state of matters [the system of Government at Red River] may lead to the formation of a provisional government by the people themselves, and to annexation to the United States, as have been threatened." And again, two months later (16 October, 1863), in a letter to Sir Edward Watkin, "There will be serious trouble hereafter with the Indians and half-breeds, unless the local government is better supported. . . . Since assuming office on

this side, I have been thoroughly disheartened, in the midst of very trying and difficult circumstances between the Americans, Sioux Indians, and local disturbances on one hand, and the want of any encouragement or support by Government on the other hand. . . . No temptation would induce me to continue longer in office. . . . At the same time, Her Majesty's Government cannot continue much longer to ignore this territory. By such a course they are only sowing the seeds of future trouble, which I shall not be sorry to escape" (v. letters reproduced by Sir Edward Watkin in *Canada and The States*.)

The £300,000 was received on May 11, 1870, and was immediately distributed to the Proprietors as a Return of Capital. It will be so treated in the instance of Mrs. Chump. The monopoly of the Fur Trade in Rupert's Land had now been surrendered. So had the Landed Territory of "over 806,000,000 acres" on which the money had been subscribed; instead of the latter the Company were to receive one-twentieth of the land surveyed by the Government in the fertile belt within fifty years. Against that sacrifice they received an unquestioned title, and the obligation of the Government to maintain order, no small consideration. Although the charter had empowered the Company to administer justice and to maintain military forces, they had never had an army as did the East India Company, and the early history of the Hudson's Bay Company contains constant complaints on account of the aggressions of the French forces. After the cession of Canada they were subjected to the armed invasion of their monopoly by rival traders; later, with the commencement of settlement, they were unwilling to undertake the full obligations of government, and the settlers were resentful of such moderate taxes as they did impose.

How did Mrs. Chump fare now?

				Price of £17 share at 31 December.
Dividend for the year ending 31 May, 1870		4/-	8½	
Do.	do.	1871	10/-	10
Do.	do.	1872	17/-	15½
Do.	do.	1873	20/-	14½

£2 11 0

That is an average of 12/9 per share, or, the denomination of the shares now being £17, 3 $\frac{1}{2}$ per cent. ; considering the disturbed period no bad result. For if the Wintering Partners had been dissatisfied at the reconstruction of the Company's financial foundation without their being consulted, how would they view the sale of their monopoly and their interest in the lands, when a shareholder had been informed, in reply to his question at the General Court held in London to consider whether the proposals for the transfer should be accepted, that they were not entitled to two-fifths of the compensation? While Riel was still in power at Fort Garry, the Council of officers was assembled as usual at Norway House. Though he had not been expected, Donald Smith decided to be present and preside. He exerted a conciliatory spirit, and undertook to go to England himself to present the Officers' case. It is not surprising that in that year of uncertainty the Board, having distributed an Interim Dividend of 4/- in November, 1869, declared no further dividend for that year. But their anxieties were not confined to Canada. Before Sir Garnet Wolseley had reached Fort Garry war had broken out between France and Prussia. Now if Paris was the centre of fashion for luxuries, Germany was the most important country in the preparation of furs for the retail market. In this situation the Board were tempted to deviate from their sound practice and withhold some of the furs from immediate sale until the situation was clearer in both continents.

Governor Dallas had clearly warned Sir Edward Watkin on the formation of the new Company of the approaching difficulties: "I must relieve my shoulders of this weight by stating plainly my belief that the opening of the country by waggon road and telegraph, and by the encouragement of settlement, must prove so far detrimental to the current commercial business of the Company as to render it difficult, if not impossible, to provide a fair dividend upon the portion of its capital embarked in the trade. I do not however the less recognize the necessity of opening up the country and its communications." (Letter 17 August, 1863.) "I do not think that we can ever make anything out of our lands,

and I am therefore strongly of opinion that they should be transferred to the Government upon certain terms, excepting only such lands around our forts as may be necessary for our business, and our farms, etc., in actual occupation." (Separate letter of same date, *loc. cit.*)

In 1870 the Company had a windfall, the first moiety (£45,918. 7s. 5d.) of the Oregon compensation being received at last. Having been advised by the Company's solicitor that the Officers were entitled to a share, it was credited to them for Outfit 1869, the year in which the transfer of the possessory rights was made. The three-fifths of the Proprietors was reserved.

It might have been supposed that in all this unsettlement the shareholders would have been satisfied to await developments, and to see what the suave and conciliatory manner of their Governor (to be so vexatious to his follower in Parliament, Lord Randolph Churchill, a decade later) and his wide experience could effect. But then, as always, there were factious shareholders intent on schemes for some immediate profit rather than steady growth. Before the next General Court Mr. W. M. Wilkinson, writing from the significant address, 44, Lincoln's-inn-fields, issued a circular containing proposals, and invited shareholders to sign and return to him the expression of their concurrence in them (the Charter and Bye-laws did not provide at that time for voting by proxy). It is worth while to examine these recommendations in some detail even after sixty years. The first is the perennial one, Mrs. Chump's repeated complaint; when the accounts are presented in a few weeks "the shareholders should be prepared to resist any further attempts to retain in the Company's hands realized profits to which they are fairly entitled as dividend." From this circular I learn that Mrs. Chump did better than the Reports of the Board show; Mr. Wilkinson proceeds that "at the half-yearly meeting it was proposed to distribute only 4/- per share, but to meet the discontents of the shareholders 6/- was grudgingly paid." So it appears she actually received 12/- for the year ending 31 May, 1871. Under Sir Stafford Northcote's conciliatory guidance the Board appears to have been more amenable than is usual. In his estimate of the

reserves and probable receipts Mr. Wilkinson seems to have been somewhat optimistic in the reliance he placed on the accommodation of Governments: "There is a claim against the Government for interest on £300,000 not paid at the time fixed; which claim cannot be resisted—£7,500. And for injury to trade by the political disturbances a considerable amount will probably be received, say £20,000." Mr. Wilkinson then examines the question of the value of the Company's Land, and maintains that the one-twentieth of the land opened up for settlement, with all charges of government borne by Canada, is really of more value than the whole of the lands could have been with the onus of government thrown upon the Company. (It will be remembered that in a referendum in 1866 to the Proprietors in the new Company formed through the efforts of Mr. Watkin to promote colonization, an overwhelming majority of those who voted were opposed to this being undertaken by the Company itself.) He pertinently draws attention to the fact that the settlement of the question of territorial rights has been a great inducement to the Government of the Dominion of Canada to accede to the terms demanded by British Columbia, as a condition of union with the Dominion, the construction of a railway from Canada to the Pacific. "This Railway is now a certainty," he states; "It is to be commenced within two years, and finished within ten years. . . . An Act is actually passed authorizing its construction, and there is no doubt about the ability of the Dominion to redeem its pledge. The line will traverse the colonisable lands in which our Company is interested, and will open them up for settlement. It is not too much to say, judging from all the past experience in America, that the construction of this railway will increase the value of the lands traversed twenty, thirty, or even fifty fold." From this he deduces that "the £300,000 received was not a return of capital, it was a bonus, and should have been treated as such." There he is on questionable ground. As has already been stated, it was a sound step on the part of the Board to regard the cash payment as compensation for disturbance, a disturbance which had diminished the cash value of the business when the shares were offered. On

the other hand, along the line of argument pursued by Mr. Wilkinson just quoted, the transfer had increased the future value of the property for settlement, and those who were to have the profits of the trading diminished were entitled to the immediate compensation. It has just been seen how, in the analogous instance of the compensation received for disturbance in Oregon the Board, acting on the advice of their solicitor, recognized the right of the commissioned officers in the year 1869 only to receive the proportion allotted to the Wintering Partners as a bonus. Already the transfer of Rupert's Land had emphasized the cleavage in the different interests among the Proprietors themselves, and the difficulty of according strict justice to all. Mr. Wilkinson then proceeds to estimate the value of the land. He estimates the quantity to be received at 10,000,000 acres. "We see in Southern Illinois, in a climate that is neither healthy nor agreeable, lands that were not worth 1s. an acre before the Illinois Central Railway was made, now selling at £2 and £3 per acre." In spite of this, he modestly suggests that the quantity should be assumed for the moment to be 5,000,000 acres, and the average value in ten years £1 an acre, and asks, "Is it too much to say that this land is now fairly worth £2,000,000 sterling?" As he urges again, "The Canadian Parliament has voted £300,000 a year in perpetuity, besides an enormous land grant for the construction of the Railway, and the costs of the government of the country will be no light matter, but the increased value of the land will repay them. The Hudson's Bay Company gets its land made valuable, and has received £300,000 bonus for giving up the right to do what it never could have done itself."

But Mr. Wilkinson does not overlook that knotty point of the divided interest which is to dog the future of the corporate Proprietors. In view of this it will be well to quote his paragraph in full:—

"The name of the Hudson's Bay Company has for centuries been associated with the Arctic Regions: it is a misnomer altogether as applied to the colonisable lands lying exclusively in Manitobah. The business of fur-trading also conveys an idea opposed to land settlement. Let us, then, separate things that do not go well together. Let us form a 'Manitobah Land Company,' with a capital of £2,000,000 sterling, make over to it all our colonisable

land rights, together with say £50,000 cash, receiving 100,000 shares, in the new Company of £20 each, to be distributed among the Hudson's Bay Shareholders. Let the business of this Company be precisely similar to that of the Canada Land Company, and the gradual realisation of £50 a Share for the sale of lands may be regarded as a legitimate expectation."

This done, the £1. 6s. per share distributed (the distribution, declared a few weeks later, was actually 6s. per share, but Mr. Wilkinson held the Company's Reserves were excessive and unnecessary), £50,000 of the further reserve put into the Manitobah Land Company, he had still left the £949,800 in Real Property in London, Ships, Trading Goods and Stores, without putting any value in figures on the Trading Forts and Factories, the land around them, the Goodwill, and the Right of Issue of Notes. He was not satisfied with the yield on the investment of this capital; he quotes the Trading Profit for the preceding seven years (showing an average of £83,700), and proceeds, "A trade of this kind should yield a good return for the money sunk in it; but it does *not*, nor is the profit of the trade, *in our hands*, likely to increase. Let us consider the following propositions: Give up our fur trade, and realize our assets; sell our forts, and their lands, and the goodwill attached to each (reserving what is necessary for financial and banking purposes), to the best bidders. Retain our chartered banking rights, with unlimited issue of notes, and act as Agents here for the Fur Traders, retaining, say, £300,000 capital, for that purpose. Our chief factors and traders will make arrangements to purchase and trade on their own account, and will make a good business where we cannot do so." Placing the sale value at £1,100,000, Mr. Wilkinson arrived at the following value of the Shares:—

" Dividend next month	£1	6	0	per Share
Realized from Fur Trade Assets ..	8	0	0	"
Land Share (to be worth £50 in ten years) ..	20	0	0	"
Hudson's Bay Company Share (Banking and Agency), with £300,000 capital ..	3	0	0	"
	<hr/> £32 6 0 <hr/>			

"This may seem a somewhat absurd valuation of a concern whose Shares are worth in the market only £10 10s. each, but there is no exaggeration in it."

Inkyo was too young then for his opinion of these proposals to be of any value to that generation of shareholders. It will be learned as the same questions recur in later years. But he can say at once that long experience has taught him that in spite of all its vagaries it is safest to respect "the barometer of the money market." The shrewd jobbers who can make it their only business to be well posted in the affairs of a few companies, and to keep a level head amid the levelling effect of all sorts of well and ill-informed people buying and selling at about the same time, are apt to form shrewder and sounder judgments than any shareholders without inside information, or indeed with it. Mr. Wilkinson was right in saying that he had not exaggerated the value of the assets—at some time. His fallacy was in ignoring the time factor. The dealer in the shares could earn a lot with that £20 before he would see it back from a Manitobah Land Company. And we have just seen what an extraordinarily unfavourable time it was to sell effects in the fur trade.

It is not to be supposed that at such a time, with such ideas rife in the minds of shareholders, the General Court held in June would not be an exciting one. The Board had to report that the profits of the Fur Trade were only £18,383 before deducting interest; after deducting interest the loss would equal £28,000. (Interest was deducted before striking the profit to be shared with the Wintering Partners, so the Proprietors always had this return on their money.) The Officers were therefore entitled to nothing at all. The Board had now obtained the opinion of Sir Roundell Palmer and Mr. Montague Bere that while their moral claim was a very strong one, they had not a legal claim to share in the Oregon award. Mr. Donald Smith, "the principal officer from Red River" (the Governor, William MacTavish, had died in the preceding year, and Mr. Smith, now M.P. for Winnipeg in the Manitoba Assembly, had been appointed to succeed him) was in London, armed with a power of attorney from most of the officers, "who would probably assent to a revised Deed Poll." The Board proposed to buy up the retiring interests of the whole of the present body of Officers, and to cancel the existing Deed Poll and make a

new one, under which the Officers would have the same amount of interest in the general business (that is other than the Land) as they then had in the Fur Trade. The cost of those interests was calculated at £75,255. To this the Board proposed to add £31,800 = two-fifths of the Oregon money after deduction of expenses, the payment to be spread over three years. A dividend of 6/- was declared out of the undivided profits, in view of the Oregon money at the credit of Capital account.

In Sir Stafford Northcote's speech the subject of Stores for the white settlers, as these replaced the Indians trading at the Posts, was first introduced. The Officers' share was to be guaranteed at £275 (obviously they must have something to live on in their whole-time job). He discussed at length Mr. Wilkinson's proposals. Mr. Wilkinson does not seem to have taken part in the discussion; the opposition was led by Mr. Francis Peek (Peek Brothers and Winch, the wholesale tea merchants) and Mr. Thomas Edridge (active in Croydon municipal affairs; he was elected later M.P. for Croydon, and was knighted on promptly retiring to make way for a Cabinet Minister who had lost his seat). It is always satisfactory to hear both sides of a case; Mr. Isbister quoted the opinion of the Attorney-General and Mr. Jessel that the Officers could sue for breach of contract. This intervention is of no little interest in this professedly personal study. Mr. Isbister was now supporting the Officers' cause, that of the men of the province, against the harsh attitude of the more grasping of the shareholders in London. Twenty years before, Mr. Alexander K. Isbister, a native of Rupert's Land, and an able barrister, was a fiery orator and ardent advocate in the cause of the half-breeds in their petitions against the monopoly of the Hudson's Bay Company, and the harshness of its Officers' rule. The meeting was rowdy, and the voting close (the declaration of the result was disputed by Mr. Edridge). As only 20,000 votes had been cast out of a total possible number of votes estimated at some 90,000, the Board announced their intention of adjourning to a further meeting a fortnight later. At this

subsequent meeting the result of the ballot was given as follows :—

For Mr. Peek's Amendment..	9,509
Against	9,590

Majority against	<u>81</u>
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In considering these figures it has to be remembered that proxies were not then admissible. Sir Curtis Lampson voted 100 shares as a director and 1,620 shares for a trust (The Peabody Trust?). As the criticism of his equivocal position had not abated he resigned before the next Court six months later, the principal business of which, it will be remembered, was in that day to elect directors. Mr. Hodgson and Mr. (by now Baron) Schröder also retired. Mr. Eden Colville, the senior member of the Committee, who had had a long experience of the Company's affairs both in England and at Red River, became Deputy-Governor: Sir John Rose, K.C.B., the late Finance Minister in the Dominion Government, who had taken an active part in the Oregon Arbitration, Mr. Francis Peek and Mr. Montague C. Wilkinson were nominated to fill the vacant seats. As the Company was founded by Royal Charter and not under the Companies Acts it does not have to file a list of its shareholders at Somerset House, and I am not now able to say what relation, if any, he bore to Mr. W. M. Wilkinson.

By the following year (1872) England was already reaping the benefit of her advantageous position at the close of the Franco-Prussian War. While the quantity of Furs was reported to be small, prices were high, and the results "the best for a long time." So, *pace* Mr. Wilkinson, the pendulum had already begun to swing upwards. The remainder of the Oregon money was received, and the whole £80,033 applied to reduction of "Balance represented by the remaining property of the Company = £773,192," while £107,055, the liability on the abrogation of the Deed Poll of 1834, was added. (For the benefit of Mrs. Chump's great-niece, to whom the term may not be so familiar as to her great-aunt, it may be explained that, as I understand it, a Deed Poll is merely an agreement where the edge of the paper or parchment on which

it is written is trimmed, whereas the edges of an Indenture used to be roughly torn apart in such a manner that they would again exactly dovetail, proving that the two supposed copies of an agreement were in fact prepared at the same time.)

In 1873 the first sales of Town-land at Fort Garry were reported: 91 lots (each lot 120 by 50 ft.) for \$76,300, payable in five annual instalments. Business depression had already overtaken the province, and very little money had been collected for the land sold. For 1873 was a year of "Panic" in America. From now these recurring "Panics" will be found to be another eloquent "barometer" in gauging the prosperity of the Company, the younger North West being intimately interlaced with the older one across its border. In that panic Jay Cooke, known as "The Financier of the Civil War," having attempted feverishly to push the Northern Pacific from the Middle West to Puget Sound, failed. It was in that period that Jay Gould's golden opportunity for wrecking the American Railway Companies constructed with European money arrived.

At the beginning of 1874, Disraeli having defeated Gladstone after the greatest Liberal government ever experienced in England, Sir Stafford Northcote went to the Treasury as Chancellor of the Exchequer.

VI.—Governor :

Right Hon. G. J. Goschen, M.P.

SIR STAFFORD NORTHCOTE was succeeded as Governor of the Hudson's Bay Company by the Rt. Hon. G. J. Goschen, M.P., the First Lord of the Admiralty in Mr. Gladstone's Government.

The results to Mrs. Chump in the new reign were as follows :—

			Price of £17 share at 31 December.
Dividend for the year ending 31 May, 1874	20/-		19½
Do. do. 1875	23/-		22½
Do. do. 1876	15/-		14½
Do. do. 1877	nil		10½
Do. do. 1878	nil		10½
Do. do. 1879	8/-		15½
Do. do. 1880	9/-		18½

£3 15 0

Or less than 3¼% per annum.

That is the worst result, before or since, and Mrs. Chump may be supposed to have raged. And yet she would have been an unreasonable woman to do so. The occasion is opportune to moralize to her great-niece on the puny influence of men compared with the visitations of the Gods, which she calls circumstances in a language grown less anthropomorphic. As she has been promised that this examination shall be pointed by the personalities she loves, an edifying illustration may be chosen here. It has been seen how in a transitional time of great difficulty Mr. Francis Peek had been the leader in an onslaught on the Board *à outrance*, at the General Court in 1871, and how he effected such a breach that within six months he was himself a member of that Board, and muted thenceforth. He retired in 1883. Five years later there was again an active shareholders' agitation headed by Mr. Robert A. McLean, and Mr. Peek, reappearing in the

thickest of the fight on the shareholders' side of the table, described Mr. Goschen's reign as "the golden age" — he knew, for "he himself was a director at that time." Confronted by the cold testimony of those figures, it seems almost incredible. And yet to-day, as fifty years ago, there are few who do not hold the late Lord Goschen to have been an exceptionally able man of integrity, in the City as in Parliament.

His reign opened sufficiently auspiciously. He was able to report in the first year that 2,500 unissued shares had at last been sold, and a Marine Insurance Fund of £40,000 established with the proceeds; and that there had been a large immigration into Manitoba, stimulated by the steps taken for the construction of the railway from Pembina to Fort Garry. (The Board had announced in 1872 that the Bill authorizing the construction of a Canadian Pacific Railway had been passed, but a year later they had had to report that the charter had been surrendered.) Sales of building lots had been resumed, 50 having been disposed of in the course of the year at Fort Garry at an average of \$450 each, payable over four years. In that year the North West Mounted Police were established in the Saskatchewan District. Looking back on the record of their valuable services, one may be tempted to ask why the Hudson's Bay Company should not have attempted something of the kind long before. But there is all the difference between a Government force and a private one; probably if they had been equally efficient they would only have been regarded as another means of oppression by those who were jealous of and impeded by the Company's monopoly. Already at the outset of the Company's career in its new form the Board had resolved (August 28, 1863) that the executive and judicial authority in "Red River Settlement and South West Rupert's Land should derive directly from the Crown," and sent a copy of the resolution to the Colonial Secretary. It has already been seen how narrowly the Proprietors' vision was restricted to profits; a government pledges and spends other people's money without the occasion to show any profit. The Hudson's Bay Company was conspicuously successful in maintaining order among the Indians by consent without force; the

contrast with the Wars waged by the Americans south of the border is remarkable.

The table shows that the prosperity continued into 1875. Manitoba was by now reported to be attracting immigrants in large numbers, the Canadian Government pressing on the surveys for railway construction. But the balance to the credit of Land Sales at May 31, 1874, was still only £995. Already, however, the Canadian Government were beginning to regret that they had not acted with the broad liberality to which Mr. Watkin and his associates had been driven by Governor Berens; by June of this year the Board had learned that the Canadian Government intended to negotiate for the purchase of the bulk of the Company's lands. They were able to report five months later that they had held personal conferences with the Prime Minister of Canada on the subject. But a year later they had to report that no proposal had been submitted by him to the Canadian Government and that the depression of trade which prevailed rendered it inexpedient to continue "for the present" negotiations for the purchase of the land. There were no sales of Town Lots at Fort Garry for this year. And the full effect of the slump was now setting in. There will not be wanting those who occupy their leisure over rhythmical lines which may be produced with the aid of graphs to trace the likeness of the boom and succeeding slump after the Franco-Prussian War to that within their more recent experience, the "World War," more than a generation later. The more profitable enquiry here is the particular circumstances which rendered nugatory from Mrs. Chump's point of view the services rendered by Mr. Goschen. In 1871 Sir Stafford Northcote's Report had pointed out that it took four years for supplies from England to reach the most distant Posts and to bring back the Returns. The Reports of that day refer constantly to the difficulties of transport and the steps being taken to overcome them. While the Officers had remained loyal in spite of the invariably grudging treatment received from their "partners" in easy circumstances in England, we have seen that the smouldering discontent of the *voyageurs*, the half-breeds on whom transport largely depended, had burst into open resistance on the "invasion of their rights."

There was at the same time a failure in the provisions of the country, which always caused acute distress among the Indians, and it was accompanied by an outbreak of smallpox, causing 3,500 deaths in the Saskatchewan District. Great privations were again reported in some districts in 1878. In 1870 the Board had reported that Mr. Cyril Graham had been sent out on a special mission to promote the reform of the organization, "especially of Transport." The following year, Mr. Graham having returned, they reported their confidence in improvement, but "bold and extensive reorganisation was called for." Unsettlement among the Indians was reported in 1873 (that is as soon as Government had got to work). In that year a second steamer "had stranded and been rendered useless on the way up the Saskatchewan River; the engine and machinery were saved." But in the following year the Board were able to report that the trial trip of the s.s. "Northcote" on the Saskatchewan had been "most satisfactory," and that the result of this trial was "most important, giving promise of relieving the difficulties of transport." And in 1875 they were able to report that the s.s. "Northcote" had in fact reached Edmonton and returned with the furs from there to Grand Rapids, and that the s.s. "Colville" was plying between Grand Rapids and Red River. Looking at the dividend in his first two years, Mr. Goschen, with his acute and sober mind, would be the first to admit that birds of ill-omen take some time to come home to roost. It is not difficult to depict how, with the Hudson's Bay Company's monopoly relinquished at last, free traders from across the American border and from Eastern Canada would swarm into the newly opened territories with grossly exaggerated ideas of the golden possibilities, to the increased demoralization of the trappers, already demoralized by the political events. Traders in other countries were not much better off; there was great distrust in Europe of American investments at this time, and the price of furs fell heavily in 1876. The foreboding of a further decline was fulfilled; in the following year there was a still more serious and general decline, the furs realizing an average 30% less than in the previous year. In 1878 there was a still further decline of "from 10% to

45%." Naturally this severe fall and the resulting absence of profits re-opened acutely the perennial question of the manipulation of the natural market by withholding furs. It is worth while to quote the exact language used in the Report above the signature of such an acknowledged expert in finance and statesmanship as Mr. Goschen (1877):—

"The Committee desire to state that it was after full consideration that the Furs were sold with a view to their distribution into use, in preference to the alternative course of holding and offering them for sale at a future time, when they would have come upon the market in addition to the returns which arrive with regularity from the various districts in which the Company's trade is carried on."

Furs are a perishable commodity, and soon lose their lustre, and well the furriers know it. While the Hudson's Bay Company were known to adhere to their policy of not withholding furs it was of great value in giving confidence to the buyers, an advantage enjoyed by no other sellers, for the firms selling on commission for private traders were subjected to each trader's judgment as to whether to sell or hold, and those in the trade knew it to be an entertaining sport of the experts examining the furs to spot, or attempt to spot, the stale furs that had passed through the Sales before. I have met with no proposal to burn the furs. That was reserved for the people's food, the wheat grown in the United States in 1929: "He that withholdeth corn, the people shall curse him: But blessing shall be upon the head of him that selleth it." Wheat, being a prime necessary, is a comparatively simple article on which to prepare your statistical graphs and to exercise your prophetic judgment; yet (after the policy of the Hudson's Bay Company had been changed, with regard to their furs), when a Wheat Pool of experts had been formed to handle the Canadian crops the latest Report of the Company has to deplore the dislocation of trade throughout Canada through its action, "thus seriously reducing the Company's returns from Land Sales and Departmental Stores"; and six months later a speaker at an Extraordinary General Court was informing his fellow proprietors that wheat in 1929 was selling at \$1.19 a bushel (as events proved, a fictitious price) and that at the beginning of 1931 it was \$0.34 a bushel.

With a loss of £2,011 in 1877 and £28,393 in 1878, not only was there no dividend, but there was nothing for the Officers. Obviously they could not be merely kept from starvation like the Indians, and thus the new Deed Poll was at once found at fault. Already in 1876 its approaching alteration had been intimated. As a temporary expedient the Committee proposed in 1878 that the officers interested in Outfit 1876 should receive £100 per share = £9,200, £5,068 to be taken from the sum already accumulated from the five parts reserved for pensions, a further £1,750 to be provided by the relinquishment of half their fees by the Directors, and only £2,382 to be appropriated from the undivided profits brought forward. After personal conference with James A. Grahame, the Chief Commissioner, and Donald A. Smith, whom he had succeeded, the Board recommended that, without disturbing the fundamental arrangements of the Deed Poll, it should be amended so as to guarantee the Commissioned Officers £150 per annum for the five Outfits 1877-1881, for each of their shares, and when the profits reached £60,000 to increase the amount guaranteed to £200. In that year £10,153 was required to make up the amount; in 1880 £7,334 (the £6,015 of the Officers' profit only amounting to £67. 11s. 9d. per share).

Relief, as usual, was provided by bountiful Mother Nature. The harvest of 1877 was abundant in Canada and the United States. The effect was beginning to be felt a year later, the price of furs for that winter's trade improving as it opened, and an advance of 40% at the Company's succeeding Sales enabling the resumption of dividends. But in the far North reindeer and moose were scarce, and although a temporary improvement in the supply of country provisions had been reported in 1879, there was a decrease of buffalo on the plains, and a recurrence of great scarcity and suffering among the Indians in the following year, causing a diminution in the Returns.

Mrs. Chump received no windfall during those trying years. At the 31st May, 1874, the balance at the credit of the Land Department stood at only £995. As has already been said, the Canadian Government were nibbling at the purchase of the bulk of the Company's lands in the

following year, but they did not bite. There were no sales of Town lots in that year, and there were plenty of free homesteads to be obtained on the Government's lands for farming. By 1877 Instalments and Interest on the land already sold amounted to £6,788, and the balance at credit to only £6,485. By 1879 it had increased to only £10,137, but in the autumn the sale of sixty Town lots was reported for \$40,410, and 1,800 acres of Farm Lands at Red River for \$10,154, partly in cash, partly in instalments over five years. In spite of that, in 1880 the balance had fallen to £9,696. At that early day expenses had evidently temporarily outrun profits, although the Company's contribution to surveying expenses was limited to \$0.08 per annum. The politician was active again; in 1878 shareholders had to be warned that the Provincial Legislature of Manitoba had imposed a tax of five cents per acre on land owned by non-residents, and one cent on residents, and that legal proceedings might result. (The Company was supposed to have been protected against invidious taxation in the agreement to transfer Rupert's Land.) Five months later the Board were able to report that the resistance to the demand of the five cents tax had been upheld by the Law Courts. If the land was producing no return, prospects were brightening. By 1879 the Railway from Pembina to Winnipeg was in working order, and immigration was extending; measures for the completion of the Canadian Pacific Railway had again been passed by the Canadian Government. The railway between Lake Superior and Winnipeg was expected to be completed in about two years. The Company had begun the erection of departmental Stores at Winnipeg, West Lynn and Portage la Prairie. Grist mills also were being erected. Communication was developing in British Columbia also.

Donald Smith, who had been elected a member of the Legislative Assembly of Manitoba on its formation in 1870, resigned his office as Chief Commissioner of the Hudson's Bay Company in 1874 in favour of the wider financial and political powers which were now opened to him, but he remained Land Commissioner until 1879. In that capacity he had been able to effect a valuable agreement with the Government in 1873, that instead of the

Company's land being selected by lot, it was to be the same sections and part sections in each township. In that way, however railways might be surveyed for construction, they could not pass more than ten miles from the Company's lands; those who have any recollection of the character of the franchises and provincial politics on the American continent in those constructional days, with all the expenditure of time and money attendant on lobbying, will be able to appraise the wise foresight of this step.

Shareholders in the Hudson's Bay Company appear to have been unusually patient at this time. Perhaps they were feeling their losses in their investments in the United States so severely that by comparison their investment in the Company seemed sound. In judging the return they received it should be regarded as 5%. In 1876 it was stated that the capital employed in the Fur Trade was £1,003,710, compared with £949,317 in the previous year; the Canadian duties had been increased. By 1879 it had been reduced to £811,210. From the issue of the prospectus in 1863 onwards, therefore, what the shareholders had put into the business was about £10 per share cash, increased by £200,000 by the promoters for developments, and £300,000 was returned to them from the compensation received from the Canadian Government for the disturbance in the rights for which they had paid. The remaining £7 they had paid for future prospects, and it will be seen they had not been overvalued.

In the last Report signed by Sir Stafford Northcote (1873) he had to state that no settlement of the claim for losses sustained in the Red River rising had been effected "yet"; in the last Report signed by Mr. Goschen he had to report that the assent of the Canadian Government to the case prepared for submission to the Privy Council with regard to the liability for those losses "had not yet been received." Ten years before Mr. Wilkinson had treated it as equal to cash.

VII.—Governor: Eden Colvile.

On the retirement of Mr. Goschen the Governorship returned from the care of statesmen engaged in politics to the charge of a prominent figure in the City, with long and intimate experience of the Hudson's Bay Company's affairs, in Canada as well as London, who had been praised in high terms by the Duke of Newcastle when he was Secretary of State for the Colonies. Sir John Rose became Deputy Governor, and Mr. Edridge, who had maintained the fire of his criticism, but who had had to wait nine years longer than Mr. Peek, was elected to fill the vacant seat.

The results in the following years were as follows:—

Dividend for the year ending	Trade.	Land.	Price of £17 share at 31 December.
31 May, 1881	14/-		27½
Do., 1882	14/-	£2	(£15 share) 31
Do., 1883	12/-	£1	(£14 do.) 23½
Do., 1884	22/-		25
Do., 1885	nil	£1	(£13 do.) 21½
Do., 1886	15/-		22½
Do., 1887	17/-		22½
Do., 1888	nil		19
	<u>£4 14 0</u>	<u>£4</u>	Peak October, 1882 = 40½

What percentage did Mrs. Chump now receive? I have no hesitation in adding the return from the land to that from the trading and saying that she ought to have received over 6½ per cent. per annum, and as we know that her trustee was given to sailing very close to the wind, and that she had no children, I hope she did. But I doubt if she got more than 3½ per cent., knowing her view of her trustee's proclivities. For the Board paid the money out as a return of capital. It is not difficult to follow the considerations by which they may have been

influenced. It was an asset realized in money which ceased to have any capital value on distribution. They had a constant struggle in their difficult trade to satisfy shareholders that they were receiving an adequate return on the capital sunk in it, and to financial writers accustomed to think and write for the education of the public in percentages the smaller the nominal capital, while in reality the value of the Buildings and the Merchandise and the ships remained the same, the more successful they would appear to be as traders for the same number of shillings divided. But as we have just seen, Alderman Chump's money had largely been invested on the strength of future prospects to be derived from the increased value of the land. For a time nearly half, later more than a third, of the money he left her produced nothing, and she might reasonably ask what would have been the result to her in compound interest on Consols on £7 per share from 1863 to 1885. As it has to be supposed that the amount invested for a life interest will be about equal to the amount invested in which others have only a reversionary interest, and the great body of shareholders will be so pleased at receiving windfalls amounting to £4 per share within four years to do what they like with, it is certain that however Mrs. Chump might have "moaned and shouted" she would have effected nothing at all, and I cannot recall that in fact any protest was raised. But I still think, as I thought then, that the Board were wrong. When a few years later a Board wanted to assuage year by year, without waiting for a larger accumulation, a very threatening agitation; they found no difficulty in finding an eminent counsel to advise that it was competent for them to distribute the proceeds of Land Sales as Dividend. When twenty years later (1912) a new Board was contemplating immense and rapid expansion and seeking a revision of the Charter in order to increase their powers for the purpose, a clause was inserted, it would appear as though as an offset demanded by some more conservative element, providing that not less than \$2 for each acre of land sold should be set aside as a Capital Reserve Fund. That would have been a statesmanlike and wise procedure to adopt from the first, in addition to the reservation of the last

1,500,000 acres to be treated as capital; yet more so would it have been, in my opinion, to distribute a portion of the returns from the land liberally as dividend, and to put a portion of them liberally into the development of the business. In that way Mrs. Chump would have been treated fairly, there would have been something invested out of which to increase her dividends when the procession of lean kine returned, and the Board would have escaped the nemesis which speedily overtook them. For naturally the large distributions brought in a crowd of speculative buyers. In 1877 the Board had reported that the Chief Commissioner had visited London and that as the result of their discussions with him they had decided on the policy of withdrawal at unproductive posts rather than the raising of additional capital. But there were still the departmental Stores to be built and stocked; that at Winnipeg was opened in 1881. A later Chief Commissioner had again to point out to a Board in London that they must either increase their capital as the population grew, or be left behind; again they refused to increase their capital; and again nemesis overtook them, for interested observers of what was taking place resolved to take matters into their own hands and overruled the Board, and in their feverish anxiety to overtake lost ground it now looks, to judge from "the barometer of the money market" at the beginning of 1931, when the shares fell to £1, as if they had come within an ace of wrecking the Company. Already in 1881, the year that the Winnipeg Store was opened, it was reported that prices of Town Lots had advanced considerably at Winnipeg, and that it was expected that £1 per share would be returned when the next Accounts were presented. The policy of that day was not unprogressive; we read that this year, that is in the early days of refrigeration, the little s.s. "Diana" had been fitted out with Bell, Coleman & Co.'s process, and that she had returned from Labrador with about 35 tons of frozen Salmon. Billingsgate and the public then did not take kindly to salmon when Scotch or Severn was not available, and the enterprise was abandoned after some years; it remains to be seen whether the Company will have greater success now that it has been resumed on a larger scale in this

more democratic age. But in the newly settled provinces of the North West the farmers must eat and be clothed in bad times as in good, though in the rich old countries of Europe people suffered little inconvenience if they ceased to buy furs in hard times.

In 1881 the profits from the Fur Trade were £90,484, i.e., over £60,000, and £4,162 had therefore to be found to make up the Officers' shares under the Deed Poll to £200 for outfits 1878 and 1879. Prices declined the next year, and not only had a further £3,577 to be appropriated for the same purpose, but the guarantee was extended for another three years. For in that year the sales of Town Lots to April 30, 1882, amounted to £452,070, and Farming Lands to £556,028, and from that it may safely be inferred that alternative careers were coming to the doors of the Officers, not as remarkable as that which had recently tempted their Chief Commissioner away, but evidently not despicable. In that year not £1, but £2 per share was distributed, and Officers were at the centre of land speculation.

Furs continued to decline in price. Mrs. Chump's grand-niece will remember her great-aunt yet more florid and imposing in a great Isabella bear boa in this decade. Now there are not a great many bearskins, and our Army took the best of the black ones, and there are very few cinnamon bear indeed, and they had to be painfully sought, at some risk to life, in the Rocky Mountains. So for a number of years Mrs. Chump's sables were put away to fade in the odour of camphor, and the Hudson's Bay Company had to report in 1883 that the price of Canadian Sable and other like fine furs was the lowest for thirty to forty years. The sale of land, too, was already sagging; it was reported that Instalments and Interest were not being paid promptly, and that the Land Commissioner (Mr. Brydges) had "most judiciously" taken advantage of the unprecedented demand in the autumn of 1881, but that many of the sales were not to settlers. It will be seen how advantageously the same quality was exercised by others thirty years later.

It is pleasant to read that, after an advance in prices in 1884, Officers, after all their anxious years, received £335 per share, there being therefore no appeal *ad*

misericordiam; and that the claim for losses in the Red River disturbances in 1869 had at last been settled for £10,704, by the adjustment of the Company's claim for interest and the relinquishment of their claim for losses. Sales of land were increasing in British Columbia, and a sale by the Puget Sound Company for \$30,000 is reported. It is then mentioned that the Hudson's Bay Company holds three-quarters of the stock in this Company, the name of which occurs too seldom in their Reports.

Donald Smith was not content to remain long outside the Hudson's Bay Company's affairs. The rapid developments in the North West, and yet more the exceptional opportunities of the conditions prevailing in the American railway market, had already laid the foundations of his great fortune, and he invested it largely in the shares of the Hudson's Bay Company. Under the Company's By-laws a General Court was then held in June for the presentation of the Accounts, and another in November for the election of directors. There being no other business before the Meeting, though the Governor's speeches were often interesting, the latter was naturally sparsely attended. There was no provision, as we have seen, for voting by proxy. In 1883 Mr. Peek retired, and the Board recommended the election of Mr. Herman Hoskier to fill the vacancy. Donald Smith attended the meeting and quietly sprang on it the election of his own list, including the names of Charles Russell, K.C. (the first Lord Russell of Killowen) and himself as directors, with the late Earl of Dunraven as Deputy Governor in place of Sir John Rose, Bart. The old Board obtained Counsel's opinion disputing the legality of the election and advising them that they were entitled to continue to occupy their office. The discussion appears to have raged behind the scenes; it will be seen that Donald Smith had already enlisted very able legal support. In the end Mr. Hoskier (whose name Donald Smith had left on his list) expressed a wish to be relieved, and Mr. Gassiot retired. A General Court was therefore summoned (for December 13, 1883) to elect Mr. Smith and Mr. Russell to fill the vacancies, Mr. Smith having "relinquished his right to dispute the validity of the course pursued by the Governors and Committee to avoid litigation, and

withdrawn his intention to carry the election of his list." Proprietors were informed in the next Report of that which is of no small historical interest in the immediate situation of the Company to-day, that: "Having regard to the proceedings at the last Meeting" and "two of the gentlemen then elected" residing in Canada, these two gentlemen had been appointed a Sub-Committee for Canada. Reference is apparently made to Donald Smith and Sandford Fleming (the engineer of the Canadian Pacific Railway Company, and thus intimately associated with Donald Smith), who had first been elected in 1881 on the death of Mr. Lyall. At this Court the Board proposed that the Charter should be amended so as to provide that the corporal oath of the Governor and Committee should be dispensed with, that the presence of the Governor and Deputy Governor at certain meetings should not be obligatory, to permit a director to resign without disposing of his shares, to enable shareholders to vote by proxy, to make provision for the giving of notice of nomination for the office of director, to enable the Board to fill any vacancy temporarily, and to provide that only one-third of the directors should retire annually. Six months later they were able to inform shareholders that the Supplemental Charter had been granted, and the Bye-laws revised.

The year 1885 was disastrous. The second Riel Rebellion broke out on a much more wide-spread scale than in 1869. Although one of the ships had been obliged to winter at Charlton with the catch of furs for the district she served, prices declined 30 per cent., those for Canadian Sable and Mink being "the lowest ever recorded." The guarantee to the Officers had to be extended to Outfits 1885 to 1887. John A. Grahame had resigned in 1884, and the choice of the Board, presumably acting on the idea that the opening up of the southern part of the fertile-belt called for a different form of ability to that of the Officers brought up in the Fur Trade (although this had just been disproved in the case of Donald Smith himself), fell for a successor as Chief Commissioner on one without experience in that trade, or of Canada, Mr. Joseph Wrigley, the former President of the Huddersfield Chamber of Commerce. Of £500,000 Land Instalments

outstanding at the end of March, £260,000 were overdue. But by the end of that year the Canadian Pacific Railway was completed to the Pacific Coast (Mr. Smith and Mr. Fleming being suitably knighted on the occasion). Returns from the Land ceased for a time with this year, and in 1886 the balance to the credit of the Land Account was only £6,962, with past sales being cancelled. In 1888 there was a heavy decline in the price of Furs, Marten (i.e., Canadian Sable) dropping still lower, and £19,500 was required for the guarantee to the Officers, which it had been agreed in the previous year should be extended at the discretion of the Board. In this year Sir Donald Smith was elected Deputy Governor on the death of Sir John Rose, and Mr. Robert A. McLean offered himself to fill the vacancy, but was defeated by the Board's candidate, Mr. Russell Stephenson, who had been the Commissioner of the Trust and Loan Company of Canada for over twenty years. Mr. Thomas A. Welton was appointed auditor on the death of Mr. Quilter. With no dividend in this year after those golden distributions in 1882 to 1885 naturally agitation became formidable, with those sales of land in Manitoba "not all to settlers" thrown back on the Company's hands reflected in England in the bull speculators on the Stock Exchange who had been caught out at the top. The leader on this occasion was Mr. McLean. In a circular addressed to his "Fellow Shareholders," which he signs as "President of the Shareholders' Association," he informs them that the General Committee of this Association, "consisting of all Members holding 100 shares or upwards," was held on the 25 April, 1889, and that as Chairman he had informed them that over 1,000 shareholders had joined the Association, representing about 40,000 shares. Credit is then taken for the retirement of the Governor and the appointment of Sir Donald Smith to succeed him, and the election of their nominee Mr. Walter Vaughan Morgan to a seat on the Board, with a "communication received from the Directors that they will create other two vacancies." Finally, that resolutions approving his recommendations had been adopted unanimously. Among them appear one that "the rights now enjoyed by shareholders of Limited Companies of inspecting the Register of Shareholders,

and obtaining copies or extracts therefrom, should be given to the shareholders in this Company," and one that "no shareholder be eligible as a Director unless he has held his qualification for at least six months before the date of his nomination." The proposals for the development of the Company's vast resources (it will be observed once again that the position of the roulette ball and the loss of the stakes was not due to a miscalculation of the forces of nature, but to the failure of the Board to declare the result in accordance with the speculators' expectations) begin with the same kind of estimates as those of Mr. Wilkinson. Mr. McLean puts the resources as stated in the Balance Sheet at, roundly, for the £13 share (a) Trading Property £900,000; (b) Land £400,000. The last figure "is inserted in the Accounts merely to balance them, and not as indicating the value of the lands." Although the Government Surveys would not be completed for another thirty years, he could now, on the strength of the expectation expressed by the Governor, take 7,000,000 acres as well within the mark as the extent of the Company's lands. So, estimating on the low price of 10s. per acre, he placed the value of the land alone at £35 per share, "irrespective of the Trading Property, worth at least another £10 per share." And yet "the barometer of the money market" stood at 20½ only for the £13 share. Seeking the reason of this, and of the wide fluctuation in the price of the shares, he found the chief reason to be that the Dividend mainly governs the price. (This was an obvious fallacy, for the price had risen a few years before on the strength of the boom in the North West and the returns of Capital arising from it, and the price had soared earlier in the premature boom when the dividends lent no encouragement. Mr. McLean did not argue as I have done that part of the capital returned should have been treated as dividend, but that as the dividend had to do duty both for the Trading and the Land assets the price of the shares remained unduly low.) The remedy proposed was to have two classes of shares, say 300,000 £10 Land Shares, and leave the existing 100,000 Shares as £10 Trading Shares. After the manner of Mr. Wilkinson, he expected this re-shuffling of paper denominations to add 50 per cent. to the value

immediately. (In the Report for 1889, which followed a few weeks later, it is stated that 72,000,000 acres had been surveyed to the close of 1888, that out of that the Hudson's Bay Company received 3,600,000; that nearly 40,000,000 had been granted to the Canadian Pacific and other Railway Companies, and 12,719,000 for Homestead Grants, Pre-emptions, and Government Sales.) It fell to Sir Donald Smith to face this agitation. For in the Report which followed it was stated that he had been chosen to succeed Eden Colville on the latter's retirement owing to ill-health, that Viscount Anson (a nominee of Sir Donald Smith's who had been elected in 1885 on the retirement of Mr. Wilkinson) had become Deputy Governor, and that Mr. Morgan and Mr. T. R. Grant (the Governor of the Union Bank of London) had been chosen to fill the vacancies, Mr. Newman (who had been elected in 1869 on the death of Mr. Meinertzhagen) having resigned.

With Eden Colville passed the last link with the old Company presided over by Governor Berens. Many of those in the Fur Trade will still remember him from a link with a very early age. Until his retirement it was the custom for a director, or failing one the Secretary as deputy, to be present at the Auction Sales and to take charge of the hammer. There is in existence a very old print showing a sale at Garraway's, and Pepys was familiar with the entertainment. In those days sale was "By the Candle," and the method was continued when the Sales were held in the Hudson's Bay House in Fenchurch Street. The method was to put a mark in the candle, and when it fell the bidding ceased. It is not difficult to see that while the broker was taking the bids it would be valuable to him to have an authoritative umpire to declare the fall of the mark, and that in those old days directors would be keenly interested spectators at the Sales in their own House, or that when the hammer was substituted early in the nineteenth century they would still cling to the prerogative and emblem of control. It seems hardly possible to-day that so cumbersome a method as sale by the candle was tolerable, but it has to be remembered that lotting was very much simpler in those days, many of the lots being of similar character and value, and that in the case of Beaver, the fur of

importance above all then, it was mainly used for felting purposes, for the famous hats. The regular standard lots all alike are called strings, and from sale by the candle may have originated the buyer's prerogative which continues to-day of being entitled to take additional lots at the price he has made without disturbance until his requirements are satisfied, though with the hammer to-day he can now be disturbed by the bid of a higher price on any lot. Naturally, the buyer who is "in" is keenly watched, and Pepys describes how at a sale by the candle he "observed how they do invite one another, and at last how they all do cry, and we have much to do to tell who did cry last." In Eden Colville's day, with the buyers seated at the Sales which lasted all day for days, the bidding was silently to the Broker, but on a buyer "dropping" in a "string" the shout might be so universal and simultaneous that occasionally he was not sorry on a dispute arising to enquire politely of the Governor "if he had observed who was first." Sir Donald Smith spent much of his time in Canada, and was far too occupied to enter the Sale-room; Viscount Anson, later a President of the M.C.C., had little relish for the position of umpire, and the hammer passed to the Broker. On January 30, 1928, Mr. Sale, the Governor, and the directors appeared in the rostrum on the opening of the first sale in their own Sale-room in the newly-constructed "Beaver House" and again the Governor knocked down the first lot, but only one.

A coincidence in the case of Eden Colville is not without a bearing on these reflections. When he was Governor of the Hudson's Bay Company he was also Chairman of the Royal Mail Steam Packet Company. In spite of profits in the Shipping trade at the time of the War on a scale undreamed of in Mr. Colville's day, in 1930 this Company, which had become involved with the White Star Line, and so with Pierpont Morgan's International Mercantile Marine amalgamation, had fallen on evil times, and was unable to pay even its Preference dividend on January 1, 1931, and had to face a searching committee of investigation. The Hudson's Bay Company was unable to recommend the payment of the dividend on their Preference shares falling due on January 1, 1931, for the first time in

their history; for the first time in their history in 260 years, so far as my reading extends, they also submitted to a committee of investigation; but in this case the Board had providently six months before volunteered the appointment of such a Committee, they to select the Proprietors to select this select committee. An interesting authoritative opinion has just been given that although the Royal Mail Steam Packet Company is a chartered company and not formed under the Limited Liability Companies Acts, its shareholders' liability is not unlimited. I know at least one Proprietor who, through having relations who had lost their all in the failure of an unlimited Bank, in the difficult days of the Hudson's Bay Company sold his inherited holding at an unfavourable time because this doubt had not then been authoritatively settled.

VIII.—Governor: Lord Strathcona and Mount Royal, G.C.M.G.

It was left to Sir Donald Smith to face the brunt of Mr. McLean's attack. Mr. McLean was familiar with the North West and its business there; he was an able speaker, and something of the breeziness in the intercourse of a new country; and the crisp, if not blizzard, air of the prairie, invaded the sober atmosphere of the City of London. Although Mr. McLean's Committee had passed as the first of its resolutions one congratulating the Shareholders' Association "on the first fruits of its labours in the retrial of the late Governor and the appointment of Sir Donald A. Smith to be Governor," there lies before me an autograph letter from Sir Donald Smith (lithographed) drawing my attention to the urgent importance of the questions to be dealt with at the meetings to be held on the 9th July, 1889, and to the accompanying forms of Proxies, with the request that they may be returned signed in favour of the Board. The proxy form in favour of Mr. McLean bears the names in addition of Thomas Leicester and Sir Robert Abercromby, Baronet. The canvassing was, indeed, unusually keen, and the voting close. When their proposals, already outlined in the last chapter, were brought forward at the Extraordinary General Court which they had requisitioned, following the usual annual General Court, the votes in favour of the Board carried the day on every point. A year later the Board expressed their willingness, while refusing to write up the value of the land, which they held could not be valued reliably, and a course which they had warned the Proprietors might subject them to the danger of increased taxation, to split the shares into Preferred and Deferred Shares. It will be remembered that there was a fashion in that day, a movement led by Mr. Nathaniel Spens, for treating the English Railway Companies' stock in this way. Six months later the Board assented to Mr. McLean's proposition.

that this should be done, but only at the option of holders, and they promised to take steps to have the Charter amended with this object, and for other purposes. The enabling Supplemental Charter remained before the Crown authorities until 1892, when it was granted in March. Arrangements for issuing the Preferred and Deferred shares were completed; but in making this intimation the Board added that the Stock Exchange Committee might defer an official quotation for the New Shares until a large number had been converted. So masterly inactivity won; by then the shareholders were indifferent. The Commercial Bank of Manitoba, with which Mr. McLean was intimately associated, failed in the hard times in the North West before the Hudson's Bay Company did, and that seems to have been the last of that Shareholders' Association.

How did Proprietors fare during this long reign?

Dividend for year ending	Trading.	Land.	Price of share at 31 December
31 May, 1889	14/-		20 (£13 share)
Do., 1890	14/-		18
Do., 1891	6/6		15½
Do., 1892	6/6		15½
Do., 1893	12/-		13½
Do., 1894	10/-		13
Do., 1895	12/-		13½
Do., 1896	13/-		15½
Do., 1897	13/-		23
Do., 1898	13/-		21½
Do., 1899	13/-		20
Do., 1900	25/-		22½
Do., 1901	15/-		21½
Do., 1902	22/6		36
Do., 1903	22/6	£2 0 0	38 (£11 share)
Do., 1904	35/-	1 6 9	52½ (£10 do.)
Do., 1905	58/-		84
Do., 1906	80/-		117
Do., 1907	85/-		76
Do., 1908	60/-		76½
Do., 1909	50/-		161
Do., 1910	32/-	2 8 0	111½
Do., 1911	30/-	2 10 0	103½
Do., 1912	40/-	2 0 0	12½ (£1 share)
Do., 1913	40/-	3 0 0	9½
	£36 2 0	£12 18 0	Peak November 1906 = 129½

That is equal on the £17 share to 11½ per cent. per annum.

At the ripe age of ninety-four death summoned Lord Strathcona after the bumper year in the Company's long history, when a dividend equal to £5 on each old share was paid, an amount unequalled in the Company's history before or since. A *coup d'œil* at the above figures will at once make manifest that however experienced and shrewd a Governor may be, that however the landed estate may be cultivated in his reign, the effect is as nought beside the unalterable circumstances around. That leap upwards in the first column after 1904 is due to the decision of the Board that having reduced the nominal value of the share to £10 they would go no further in that direction in the distribution of the windfalls; the change in 1910 to the fact that, they having at last wrung from the Court of Appeal a final decision that the receipts from the sale of land being of the nature of a return of capital they were not liable to income tax; the divisions from them were accordingly shown separately, and the further change in 1912 due to the *riposte* of the Income Tax collectors in the discovery that they could collect the tax on the Interest received on the unpaid Instalments, it being of the nature of income. So this portion was returned to the former accounts. It is not suggested that management is a matter of indifference; what it is sought to bring home is that it is equally foolish to accept "the barometer of the money market at Stormy" and the pointer at Set Fair in an anticyclone as the norm. Incautious management may soon wreck a concern built up laboriously; and south of the Canadian border, because it is on a larger scale, the ups and downs of the "realters" and their victims may be observed with edification. The Company has been far from negligent in the cultivation of the asset of its Land. Its Reports show that it at once engaged a Surveyor in 1872, that as soon as the Charter was granted to the C.P.R. the two Boards were in conference to promote schemes for settlement, again in 1888 that they were co-operating with the Dominion and Home Governments for the same object, and similar measures down to to-day, in addition to their own measures for advertisement and aid to settlers,

culminating in 1925 in the establishment of an H.B.C. Overseas Settlement, Limited, in conjunction with the Cunard Steamship Company, and in co-operation with the Canadian Pacific Railway Company through one of their officials. Any study of the commercial side of the literature which has grown up around the Hudson's Bay Company at once shows that the asset which has impressed all judges is its prestige, although its accounts have not included one penny for Goodwill. This prestige is rooted in the reputation for unswerving reliability and stability, not in brilliant pyrotechnics. The spoil of fishing in troubled waters was proverbial long before organized Stock Exchanges brought the golden excitement of Monte Carlo to every investor's door. In 1871 Mr. Wilkinson, attaching little importance to the Fur Trade, basing his estimates mainly on the value of the land, was not satisfied with 20½ as a fair price for his £17 share, although it was more than 50 per cent. above that quoted only two years before with "the barometer at Stormy." Ten years later the amount at the credit of the Land Department still stood at only £9,696. Without having expended one penny on paper for newly inscribed certificates he could have sold his shares at 40 in 1882. When twenty-three years later the Board, apparently almost embarrassed by the wealth of their windfalls, began to return capital again, the share went to 100; twenty years later, instead of such a fabulous future as that price indicated, there was actually a Debit Balance in the Land Account, and the Board were asking the shareholders to put additional capital out of their own cash into the business.

It would be wholesome for those financially interested in the affairs of the Hudson's Bay Company to study the press when Lord Strathcona became Governor. He had a ripe experience of the Company's affairs, and he had proved himself a successful man. Once again the gentlemen whose bourne was Fleet Street discovered that the Fur Trade was done, and had their own confidence tricks to propose. In the stormy atmosphere of Mr. McLean's assaults Proprietors in the comfortably warmed Cannon Street Hotel were found declaiming that the Company was run merely for the benefit of the Officers. For the

benefit of the Officers ! One wonders how many of them would have relished working in a sub-Arctic climate at an isolated Post for a pittance of £200 per annum, usually dependent for part of that on the grudging grace of their wealthier capitalist partners in England, or if they had at last attained in the closing years of their service to the management of an immense District, with the responsibilities of decisions on the spot without the possibility of consulting a higher authority, double that sum. Mr. N. M. W. J. McKenzie, then a young servant of the Hudson's Bay Company, later a General District Manager, writes in *Men of the Hudson's Bay Co. 1670-1920* of about that time : " We each had a train of dogs going from Qu'Appelle to Wood Mountain, and were caught in a blizzard at the ' Pile o' Bones,' near where Regina now stands. A great many Indians died of smallpox that year, and after struggling through the blinding snow we came finally to a place where several of them had been deserted and had died after they had contracted the disease. We could go no further and there was no shelter, so we made a stockade out of about a dozen of the corpses and had a good windbreak for ourselves and our dogs for the night, and the snow soon drifted over us. Next morning, the storm having abated, you may rest assured we lost no time in getting away from our gruesome camp bright and early." We have seen that Sir Donald Smith had twice been in London engaged in representing the cause of the Officers in discussions with the Board. He now grappled with this recurrent problem from the directors' point of view. It is not to be assumed that the situation was one for pity. Eighty years before the Earl of Selkirk, it will be remembered, moved by pity for the crofters disturbed in the Highlands at the time of the enclosures, who in any case were hardly able to wring a living from those inclement mountains, had induced many to seek improved conditions in the virgin, but remote and unknown, lands of the Red River basin. To many Highlanders somewhat better off, accustomed to the solitudes, bred on frugal but brain-forming oatmeal, and subject to the glamour of the clan system, it was no hardship to be the little laird over half-breeds and Indians in a little stockaded castle ready found and stocked for him.

with plenty of sport, and long hours for undisturbed reading. But now the Manager of the Departmental Store in the heart of Winnipeg was also a Commissioned Officer, and the railway and the steamer, with their attendant expenses of civilisation, were reaching out to many a trading post.

In 1889 only £2,429 had to be taken to make up the amount guaranteed to the Officers, but in the following year, after "an exceptionally heavy fall in Fur prices," it having been a mild winter, the amount required was £19,800. In this situation the opinion of counsel, to which reference has been made already, was obtained to the happy effect that it was competent to distribute the proceeds of sales of Land as Dividend. By adding £43,702 from this source Mrs. Chump therefore now received 14/- without any question. In that year Mr. Thomas Skinner and Mr. John Coles succeeded Sir Charles Russell and Mr. Hamilton on the retirement of the last two. Mr. Skinner was an able financial writer whose name had been associated with the Canadian Pacific Railway Company in its precarious days and other Canadian enterprises, and who has left lasting monuments to his business capacity in *The Stock Exchange Year Book*, *The Directory of Directors*, and other publications. Mr. John Coles had been fortunate in the patronage of Mr. Pinckard when the latter was Chairman of the Clerical, Medical and General Life Assurance Society, and had passed from the experience of an actuary, with its valuable training, to the more profitable career of a broker with an assured clientele. In the misfortunes which overtook the London Dock Companies, with their business driven to the free port of Hamburg and other Continental ports by grave strikes, and their rates piled up by the policy of the strikers' political allies, he earned a reputation as a director for the vigorous application of the screw applied to the grades which had no union, and joined the Board of the Hudson's Bay Company with the slogan "If you cannot earn money you must save it." Although Lord Strathcona had abandoned the effort to vote in his own list at one coup (an instance of his characteristic patience, though it has to be observed also that nothing seems to have transpired to show that the tables might not have

been reversed on him at the next election), he was by now completely in control of his own team, and in the City Canadian Pacific influence was regarded as having completely replaced Grand Trunk influences. In Canada Mr. Wrigley had been superseded as Chief Commissioner by Mr. C. C. Chipman, a younger man, who became a loyal adherent of Lord Strathcona's. He was a Canadian Civil Servant who had been associated with the department of finance of the railways, and subsequently with Sir Charles Tupper when the latter was High Commissioner for Canada in London, and he seems to have performed excellent work at this transitional period in centralizing the organization and bringing it into more direct control, overcoming, with the confidence inspired by Sir Donald Smith, the difficulties natural to a younger man from outside the service re-organizing what the senior officers under him regarded as a very technical employment. Several Posts were closed in 1892, while new Stores were opened at Fort William, Lethbridge and Nelson. In 1893 resolutions were passed providing for fixed yearly payments to the Officers in lieu of a share of the profits. Already in 1887 at the last great Council of the Commissioned Officers, at which Chief Commissioner Wrigley presided in Winnipeg, the announcement had been made that no more commissions would be issued to any clerks or servants who had entered the service since the completion of the transfer of the country to the Canadian Government in 1870. Mr. McKenzie writes of this event in *Men of the Hudson's Bay Co.* as follows: "This very startling information threw a wet blanket over the entire service, and produced in many cases very unfavourable results in the Company's interests. These I need not here rehearse, further than to say that it always has been, and is to-day, conceded by all in the service who are in a position to know, that it was one of the biggest mistakes the Company ever made when they decided to cut out granting commissions. The only interest the majority of their servants have had in the service since then was their weekly, monthly, or annual salary. I have been through it; from one end to the other I have seen it; I know it to be so, and closing this subject, I will leave it at that." Time endorsed Mr. McKenzie's opinion; it

was generally conceded later that the service had been starved, and that the tendency had been to lose the abler men, while the drifters stayed on. But this was by no means general; happily there are considerations and traditions which weigh in life more forcibly with most men than £ s. d. Mr. McKenzie himself was a case in point. Leaving the Orkneys in 1876 on a five years' agreement as a carpenter, he gradually adapted himself to the conditions of the country, and studied to qualify himself by a knowledge of Indian character and Indian dialects, to take charge of a temporary Post, then a permanent Post, and so by degrees, justifying the confidence reposed in him by his observant superior officers by his reliability and his self-reliance, he passed through all the grades until he attained the height of his ambition and retired in 1916 as General Manager of the Eastern Districts. His little book, published by himself at Fort William in 1920, proved of no small help to Mr. Innis in compiling his recent *The Fur Trade in Canada*; and it is indeed a valuable reflection of the actual conditions of the Company's service in those historical years. It has something of the attachment to reality of George Borrow, with somewhat less of the literary varnish. But it is more than that; it is a typical portrait of the Scots fur trader. Sir Walter Scott long ago described through the mouth of Rashleigh in *Rob Roy* the Scotsman in whom to discretion, prudence and foresight, are added ramparts, in widening circles; from first himself, to his family, then his clan, and finally his country. These loyalties are conspicuous in Mr. McKenzie's book, and they account for that loyalty to the Hudson's Bay Company's service which has been the wonder and admiration of observers. And there peeps out in the book, too, how beneath the sentiment of loyalty there lies a wholesome instinct of self-preservation and self-advancement. Nor do they themselves demand a greater respect from us. At the latest General Court of Proprietors, Sir Robert Horne, appearing suddenly among them for the first time, breezily reminded his hearers when seeking that they should "lend him their ears," "I am a Scotsman and I do not want to lose any of my money. The majority of you whom I am addressing are open-handed and generous-hearted

Englishmen—but I am sure that at least to some extent you share my feelings." The mistake that had been made was later admitted. Addressing the General Court in 1927 the Governor, Mr. Sale, said: "Owing to the changes following upon the deed of surrender, the ranks and titles of our line of promotion were abandoned, but we have thought it a pity to give up so excellent a tradition, and so have decided to revive them, and also the commissions formerly given to the chief factors. These commissions will be restricted to the fur trade, and will follow as far as possible, the wording of 1821, with such changes as modern conditions require, and we feel sure that these much coveted parchments will be appreciated by many of our men, who carry on, as their predecessors have done, under the spell of the Company's service and the spacious surroundings of remote regions. Distinctions of honour are of no small consequence to loyal men who value the old traditions, and the old and dignified wording of these parchments serves to remind them, and us, that if to-day we are what we are it is because the men of bygone times did not stop to count the cost, but followed the path of duty with a whole heart and single mind."

The Board, in the period now under review, were in a difficult position. In London they had to meet the pressure of disappointed speculators at the climax of the black eighties, who attributed little importance to the Fur Trade, which time had proved could never yield spectacular results; in Canada they had to grapple with a tenacious service founded on the traditions of a deeply-rooted past, in the midst of the invasion of hungry emigrants. It had been reported in 1892 that it was anticipated that a reduction of the annual working expenses in Canada of £10,000 was being effected, and in 1893 that further savings were being made, affecting London also. The Board themselves did not escape; on Sir Thomas Edridge's retirement in 1892 he was not replaced, nor was Mr. Grant's place filled on his death in the following year. But circumstances were still unkind to Mrs. Chump. For in 1894 we read there was "great depression of trade" and a heavy fall in the price of furs, and an "unprecedentedly low price for

wheat," and in the following year "the low price of wheat and depression in trade were intensified," and Land sales and the collection of Instalments were reduced. So the addition of income from these sources to the Dividend benefited her but little as yet. As might be expected from this wheat position, 1893 meant a "panic" in the United States. Commercial failures there were three times as numerous as those in 1873. Again in 1896 the price of wheat was reported as "abnormally low," and fur prices again declined. The rush to the Klondike on the gold discoveries there began in 1895, and the Company may have derived some additional profits in the following years from supplies and the organization of transport; but in the end they may have lost indirectly, through the disturbance of their fur country, as much as they gained from their direct services, for already by 1900 the excitement had evaporated. The upward swing began in 1902, and in 1903 the Board again began to return capital out of the land; they also reserved £30,000 to establish an employees' Pension Fund on a modest scale, possibly hoping by this means to undo some of the evil results of their earlier policy. In 1904 they resumed the payment of an interim dividend, after a cessation of twenty-eight years. In 1905 a Buildings Account was started with a modest £20,000, and similar amounts were appropriated in the following years, but they continued to divide the large returns now coming to them freely. This did not save them. At the beginning of his reign Lord Strathcona had to defend the position against the open assaults which gained their impetus from the bad times; at the close of it his government was upset by an insidious assault due to the good ones. Yet once again the Board were haunted by that incubus that had dogged the Company since it was re-floated on the future promise contained in the prospectus announcing the private possession of 1,400,000 square miles of Landed Territory. Now after all these years there was a rate of annual division to satisfy the wildest expectations of Mr. Wilkinson and Mr. McLean, but their discontents were repeated in their successors. For just as in their day the buyer had to pay for future hopes, so he had at this time; the £10 share stood at £100 or more,

and he was back again at the 4 per cent. return, no bad average for a Company with the promise of stability resulting from some millions of acres of land which was gradually selling at £2 to £3 per acre, or £2 to £3 per square yard in the city, standing in the Balance Sheet at precisely nil—until paid for by the buyer of it. Naturally with his hopes realized at last the patient holder was not now anxious to part with his shares; his judgment had been vindicated, and into what better was he going to put the money he received? The sanguine will not be denied, higher prices had to be offered, and up went the barometer in the money market. Until the new Company was formed its shares had not even an official quotation in the money market, they changed hands by private agreement. The Hudson's Bay Company's shares were always firmly held, and a traditional sentiment attached to them. In good times there are more sanguine buyers than pessimistic sellers, and dealers in the shares who had made money out of the activity in the market may have had the chagrin of missing the opportunity of making a great deal more money because there were not shares in the market with which to satisfy the genuine buyer, and not merely the time speculator on options who had no intention of taking up the shares. Dealers in shares had received a warning in 1901 of the danger of selling short, which had no doubt been taken to heart more seriously in Capel Court than in Wall Street. Owing to a little personal difference about control, Pierpont Morgan and Harriman in that year succeeded in effecting a finer corner by chance than has ever been managed by prescience. Fearing that he might have been out-manœuvred by his pet enemy Harriman, Morgan cabled from Aix-les-Bains to buy Northern Pacific, which had been rising under the influence of Harriman's buying, but which was publicly supposed to be rising on account of the Company's recent acquisition of the Burlington stock, which gave control of that railway, and the price of the stock suddenly rose to 1,000. The innocent bears, who had sold short on their judgment that the recent acquisition did not justify the rise which Harriman's buying had already caused, realised that they were in a trap. "All other stocks broke violently and there were declines of 50

per cent. or more in the soundest shares." Mr. J. K. Winkler in his recent biography of the late J. Pierpont Morgan, whom he describes as a man of surpassing vision and imagination, with such a mind as is born perhaps once in a hundred years, "the greatest banker, the greatest organizer, the greatest master of capital of his time," writes that this action "brought on the swiftest and most paralysing financial paroxysm the country had ever known. The conflict was wanton, fostered by the ambitions and vanities of two men—Morgan and Harriman. . . . These men trampled ruthlessly upon the rights of the public, bankrupted thousands, depressed values by the hundreds of millions; and almost brought the world in which they lived crashing about their ears."

After the world had recovered from the 1903 panic, "The Rich Men's Panic" as it was called, two names recur with persistence among the critics at the General Courts of the Hudson's Bay Company. (These had now been reduced to one a year, for Sir Donald Smith, spending much of his time in Canada, had taken the opportunity of the revision of the Charter to meet McLean's wish for the splitting of the shares, and other changes, to get rid of the second Meeting for the election of directors.) Mr. Henry Clark's speech, in which he addressed the venerable Lord Strathcona in flattering terms, while taking care to show that there was a claw which might emerge from beneath the velvety sheath, became an annual event, and those familiar with City practice and the history of the Company looked to see his appearance on the opposite side of the table as soon as a vacancy occurred. The speeches of Mr. George Kitchin were equally suave, and more pointed. Their burden was that as settlement increased the Company must lose their Fur Trade, that to provide for this it ought to expand its Store Trade, and that the shares having become of an unwieldy value they ought to be split into £1 shares. In the usual audiences on these occasions of bonneted ladies, retired colonels and admirals, visitors to Europe from Canada for a season, proud to take part in the mysteries of a General Court of Proprietors, and other estimable people with time on their hands, it is not likely that many recognised in the speaker the principal jobber in the

shares. And there was a request that shareholders might be shown separately in the Accounts the relative results of the Fur Trade and the Store Trade. Already in 1892, when describing the steps being taken in the re-organization of the business on the appointment of Mr. Chipman, the Board had reported that arrangements had been made to divide the Fur Trade and Store Accounts. But they had not taken the Proprietors into their confidence as to the results.

In 1907 came the announcement that Mr. Leonard D. Cunliffe had been elected to a seat at the Board, on the retirement of Sir Sandford Fleming after twenty-five years' service. In 1910 the Report contains the information that Mr. Richard Burbidge visited Canada to examine into and report upon the Stores in 1909, that the Earl of Lichfield (Viscount Anson had succeeded to the Earldom in 1892) and Sir W. Vaughan Morgan, Bart. (Lord Mayor of London in 1906), "retire by rotation and do not offer themselves for re-election," that Mr. Thomas Skinner had been elected Deputy Governor, and that Mr. Vivian Hugh Smith, Mr. Robert Molesworth Kindersley, Mr. William Mackenzie (Mackenzie & Mann, constructors of the Canadian Northern Railway) and Mr. Richard Burbidge had been elected directors.

Although nominally in both equally changes in government are at the discretion of the constitutional electorate, in companies yet more than in South American Republics they are effected by *coups de force*, and shareholders are confronted with the *faits accomplis*. They are too disunited and have too little inside knowledge of the issues to take effective action. If there is general discontent a new faction acquires control. It was idle for Mr. Henry Clark to express his disgust and ask if nothing could be done about it; the minority which remained of the old Board were now the colleagues of the majority of the new directors. After Donald Smith's *coup* in 1883 the precaution had been taken to have provision made in amending the Charter that only one-third of the directors should retire annually. The valedictory speech of the late Deputy Governor, who said he spoke on behalf of Sir W. Vaughan Morgan as well as himself, is the only illumination afforded the public on the subject

of what had transpired. He made it clear that they left unwillingly. He himself had served long in the hope of the Governorship, though of course he could not be sure that without Lord Strathcona's support he would succeed to that position. It has to be assumed that the Board as previously constituted had been convinced in advance that a majority of votes was controlled, and that consequently their case was hopeless if they appealed to a ballot. American methods of acquiring control and treating the power of control had spread since 1883; Donald Smith had used the method adapted to his day. Mr. Preston is fond of the use of scriptural quotations in his biography, but he missed an apt one when he omitted "with what measure ye mete it shall be measured to you again."

It is undesirable to impute motives. But it is idle to attempt a study of "the working of personal motives as they affect the great game which is constantly playing before us in the City . . . the personal element . . . which he believed to have far more effect on the making and marring of careers, than the outside world supposes" without attempting to penetrate them. It would be yet more idle to attempt to conduct business without doing so. As it has to be assumed from the political events in 1873 that Lord Strathcona, attaching supreme importance to the construction of the trans-continental railway, having convinced himself that Sir Hugh Allan would not be able to carry it to a successful issue under the charter he had received from the Conservative Government, allowed him, and his party to be defeated, so now it would appear that he let Lord Lichfield, his chief-of-staff, be sacrificed, feeling that with the power of his own position as High Commissioner for Canada, a Canadian multi-millionaire, and *persona grata* in Court diplomatic circles, he would serve the interests of the Hudson's Bay Company better by remaining on the Board in a minority as Governor, at the age of ninety, than by accepting an open conflict. In the course of his speech he said "It is known to the honourable proprietors, as intimated in the Report, that Mr. Burbidge, managing director of Harrods Stores, visited Canada last year, and inspected a few of the Company's Sale shops, the purpose being that we might

profit from his knowledge as an expert to dovetail in with the management of this business as at present conducted such improvements in the conduct of it as, looking to the circumstances to be dealt with, might suggest themselves to him after he had had the opportunity of comparing the different conditions prevailing there and here. You will all readily understand that there may be a very great difference in the manner of conducting a business within the great City of London and of conducting one in a new country, constantly changing, and 4,000 miles or more away. It is as well that we should know the circumstances of both, and that we should endeavour to deal with them in such a way as to be most advantageous for the Company. I am sure that Mr. Burbidge has considered the matter from that point of view, and that he would be the first to say that any radical change, made in a moment, would not be what is required, and that what is necessary and proper to be done should only be done after the greatest consideration. (Hear, hear.) It will rest with the Board to give effect, so far as may be deemed desirable, to the recommendations of Mr. Burbidge." (*Times*, 5 July, 1910.) Reading that passage in the light of subsequent events after twenty years one cannot but be struck by its statesmanship. The Governor was evidently well aware, as were others, what Mr. Burbidge's real ambitions were. He finished his speech with a tribute to the ability and integrity of the Earl of Lichfield and Sir Walter Vaughan Morgan, Bart., and said that at their own request he left it to the former to explain their retirement. "The Deputy Governor, in seconding the resolution, observed that they were probably aware that during the last year or two the list of shareholders had undergone great changes and that a large body of new proprietors had sprung up, with the result that they formed themselves into a committee and made known to the directors that they desired a considerable representation on the Board, and that they would like the places of the two directors who were retiring by rotation at that meeting, as well as the nomination of two other candidates for seats on the Board to bring the number up to the full quota authorized by the charter. In these circumstances Sir Walter Vaughan Morgan and he, being the two directors retiring

by rotation at that meeting, consulted the Governor, and it was decided that they should not offer themselves for re-election, in order to meet the demand for representation on the Board, thus saving the Company from all the disadvantages of a public contest, as to the composition of the Board." He, too, accepted defeat with a becoming decorum. He then went on to contrast the position of the Company when he left it with that when he joined it.

Mr. Newman urged that a resolution should be passed in favour of retaining the services of Lord Lichfield and Sir W. Vaughan Morgan, but it was not pressed to a vote. The committee of new proprietors were not without their spokesman, though this time it was not Mr. Kitchin. Mr. G. H. Ryan said "As regarded the new members of the Committee, they were men of far too high standing for any one to imagine that they would lend themselves to any unworthy intrigue for personal objects. They came to them with new ideas of what was required in the development and expansion of the Company."

The name of Kitchin does not transpire in these proceedings. But it was the policy which he had voiced at the General Courts which was now carried out. It was only when the *coup* had been effected that the public were allowed to know that an informal "Committee" of large shareholders had been sitting; the final move was said to have been taken on the recommendation of Mr. Redpath, Mr. Kitchin's partner.

The Report for 1911 states that the business had been divided into Land, Stores and Fur Trade with a separate Commissioner for each. The large increase in the sale of Farm Lands was due to the sales in the "Dry Belt" for irrigation purposes. In 1912 Mr. A. M. Nanton, Mr. George Galt and Sir William Whyte of Winnipeg had been invited to act as a Local Committee; great developments preparatory to the extension of the Stores Trade were being made; new steamers were being constructed. A revision of the Charter was approved at an Extraordinary General Court to enable additional Capital to be provided, and for other purposes. By the following year the Supplemental Charter had been obtained: each £10 share was divided into ten £1 shares; £1,000,000 fresh capital had been placed in the form of £5 5% Cumulative Pre-

ference shares, offered in the first place to shareholders in the proportion of two new £5 shares for one old £10 share. The shares not thus taken up were disposed of at a premium of £4,635 ; after deducting brokerage and stamps and the expenses of issue £3,086 was carried to the credit of Profit and Loss. In that year £100,000 was set aside out of Land Sales in addition to the \$2 per acre now obligatory under this Supplemental Charter as mentioned on a former page, £300,000 was taken for Stores extension in addition to the new capital, and £100,000 employed in the extinction of the item in recent Balance Sheets, " Remaining Property." The opportunity for these large reserves in addition to the record dividend payment in the whole existence of the Company for nearly two hundred and fifty years was due to the exercise of a wise foresight. It will be remembered that in 1883 the Board in their Report commended their Land Commissioner (Mr. Brydges) for having " most judiciously taken advantage of the unprecedented demand at Winnipeg in the autumn of 1881," though " many of the sales were not to settlers." The large distributions to the Hudson's Bay Company Proprietors shown in the preceding table from 1903 onwards were of course only the reflection of a long period of abounding prosperity, and as usual in a new country the favourite form of speculation in Canada was " real estate." Sound judges watching the growing gamble were convinced by 1912 that the situation was becoming top-heavy and liquidation could not be far off, but the speculators were still biting avidly. The Hudson's Bay Company had a large Reserve of land outside the growing city of Edmonton, the capital of the province of Alberta, and they now decided to hold a great sale of a large portion of it, promising to spend no inconsiderable sum on the utilities necessary to transform a woodland into eligible building sites, and deciding the choice of the sites by lot. This added excitement of the element of chance was irresistible to the speculators, and it brought a long queue early in the morning to the outside of the office where merely the opportunity of drawing a number was to be had. So in the next Report the Board were able to report that the sales of Town lots amounted to \$6,207,023, compared with \$810,690 in the previous

year, "mainly due to the Edmonton Reserve sale in May, 1912." Naturally history repeated itself, Instalments fell into arrear, and some of the land returned to the Company's hands. Yet still in less than six months an Extraordinary General Court was held with a view to increasing the capital by a further £1,000,000 in 5% Cumulative Preference shares for the development of the Stores.

Lord Strathcona died a few weeks later. He is the greatest figure in the history of the Hudson's Bay Company, for entering the service as a lad in the epoch of the greatest Country Governor in the old days, Sir George Simpson, he passed through all the ranks to that of Chief Commissioner (the later title for the Country Governor when the rights of government had been surrendered), he was the salient officer at the time of Federation, he was the mainspring in the development, through the Canadian Pacific Railway, of the communication in the North West which alone rendered settlement and the All Red Route possible, he was the Governor in London for a very important quarter of a century. Entering the service at the age of eighteen, he died in harness when nearly ninety-four. As that is a record very unlikely to be repeated, and as much of it cannot be repeated, it will not be unprofitable to pause for an interlude on a biographical sketch touching events to which reference has not been made before, this being a study of "the art of money making . . . in the working of personal motives of revenge and the like, as they affected the great game which is constantly playing before us in the City."

Thanks to the biographies of Mr. Beckles Willson (*Lord Strathcona: The Story of his Life*, 1902) and Mr. W. R. Preston (*The Life and Times of Lord Strathcona*, 1914) the events of Lord Strathcona's life are easily accessible. Born at Forres in 1820, at the age of eighteen he went to Canada to enter the Hudson's Bay Company's service as an apprenticed clerk, his uncle John Stuart already being an Officer, and other relatives having been connected with it. His service commenced in the hardest school of all, the forbidding shores of the Labrador peninsula, where one, as he said, is "frozen in winter and roasted in

summer," and where existence has always been precarious, disease and starvation rife. For many years a long snowshoe journey undertaken there by Donald Smith was regarded as a record achievement of its kind in the service. The district is a difficult one out of which to squeeze a living, let alone a profit; but by dint of energy, industry and native thrift he was successful; and Sir George Simpson was not slow to recognize his merits. He received comparatively rapid promotion, until at the time of the transfer of Rupert's Land to Canada in 1869 he occupied a commanding position in the service at Montreal. This fortunate circumstance may be regarded as the foundation of his remarkable success. There he was in touch with the leaders of Canadian affairs; while he had from his experience in the Hudson's Bay Company a greater knowledge of the North West than any of them could have. Nor would he himself have claimed more. Asked in later life for some words of advice on behalf of young men he replied, in words which fit his own career: "Be content with your lot, but always be fitting yourself for something better and something higher. If you want to get higher, to a better position, only cheerful perseverance will bring you there: grumbling will not help you an inch. Your future really depends almost entirely on yourself, and is what you like to make it; I would like to impress this fact upon you. Do the work yourself; don't wait for friends to use their influence on your behalf; don't depend on the help of others. Of course, opportunity is a great thing, and it comes to some men more frequently than to others. But there are very few it does not visit at one time or another, and if you are not ready for it and have not prepared to welcome it, that is your fault, and you are the loser. Apart from that which we call genius, I believe that one man is able to do as well as any other, provided the opportunity presents itself, and he is blessed with good health."

It has already been described how with his experience and prestige as a Hudson's Bay Officer, Donald Smith managed to restrain Riel and his followers, when his chief, Governor McTavish, was ill, from gross acts of rebellion until the tragic episode of the execution of the Orangeman Scott, after which he left Fort Garry for a

time. Mr. Beckles Willson recounts how, when he returned with the military expedition under Wolseley, and Riel fled with only two supporters, as he watched its arrival from the opposite side of the river and "perceived Mr. Smith entering the fort he clenched his fist and exclaimed, 'There goes the man who upset my plans. Had I not listened to him there would have been unity among my followers, Bishop Taché could have made a better bargain for me at Ottawa, and those soldiers yonder would not have come here.' All this was perfectly true, and attested by the course of events and by subsequent disclosures." Riel was not the last to learn that what had been taken to be the understanding arrived at in negotiations with Donald Smith might be very differently interpreted by him afterwards. Nor were the white settlers better pleased; for years afterwards he was attacked on the subject by their leader in Winnipeg, Dr. Schutz, and others, both in the House of Commons at Ottawa and in the Provincial Assembly. Donald Smith had been elected to represent Winnipeg in the first Legislative Assembly of the province. In the following spring he was elected to represent the corresponding division when the province first sent representatives to the Dominion House of Commons. He took his seat on the Conservative side of the House, though he felt precluded by the position he held in the Hudson's Bay Company from acting as a party politician. He was indeed taunted with being "the Member for the Hudson's Bay Company." The position of an Independent was at that time unusually easy. For the first Federal Government, which had only been formed as recently as 1867, was intentionally a Coalition; and not a party one. Even the veteran Liberal, Joseph Howe, had been induced to join it in 1868, though he had been to London earlier in the year to denounce Confederation. In the bitter election of 1878, when Donald Smith was only Land Commissioner in the Hudson's Bay Company, and after politics had become more partisan, he still maintained the position of Independent, and declared to his constituents that "As he had no favour to ask and nothing personal to desire from any Government, he would support only such measures as were conducive to the advancement of Manitoba and the

North West in the first instance, and the general prosperity of the Dominion."

Favourably placed in Montreal as he was, and with his cousin Mr. George Stephen associated with the Bank of Montreal, the officers up-country were accustomed to entrust Donald Smith with the investment of their savings. When as the result of his negotiations with the Board in London in 1871 he secured for them the £107,055 compensation it may be assumed that the amount was greatly augmented, and in that way was laid the foundation of what afterwards became the Royal Trust Company of Canada. It has been seen how then, Federation completed, transport became the pressing problem in the North West. Donald Smith having become Chief Commissioner at Winnipeg, and railway communication always creeping nearer from the South, in the re-organization which he undertook more goods were carried by way of the States and Pembina, and fewer by the Company's ships entering Hudson's Bay, from which it was a long and difficult journey into the districts nearer the United States border. Much merchandize was therefore transported from railhead at St. Cloud to the Red River in the famous "Red River carts," and thence by the Hudson's Bay Company's steamer. In 1872 J. J. Hill ("Jim Hill"), who at eighteen had drifted from Ontario into St. Paul and had become the agent for two small steamers operated in competition by N. W. Kittson, quietly took the precaution to conform to the American laws on bonding which were at the time a dead letter, and then got them put into operation against his powerful rival. Donald Smith quickly took steps to recover the lost ground, and for a short time there was active competition. But he is said to have admired the shrewdness of the move, and they soon met and arranged a lucrative coalition. Mr. Kittson became the Company's agent in St. Paul, and he was appointed manager in the joint interest. It has already been stated that with the panic of 1873 the financial situation of the American railways became parlous, and among the European sufferers were those who had found the money to build the St. Paul and Pacific Railroad. The Civil War had caused delay in its construction, and the Northern Pacific Railway Company then obtained a charter (in

1864) enabling them to compete; there was a political struggle for privileges, particularly land grants, between the two. In spite of the provision of one loan after another, particularly from Holland, the St. Paul and Pacific went down a little before its rival in the general collapse, and passed into the receiver's hands. Unpromising as the outlook was, Donald Smith persevered in his efforts to bring Manitoba into connection with the railways of the continent. Hill saw the possibilities, and Donald Smith when he visited Eastern Canada sought to interest his cousin George Stephen, the President of the Bank of Montreal. At last Stephen and the Vice-President, Richard B. Angus, visited the district, and they were sufficiently impressed for Stephen to visit Amsterdam and to obtain for one guilder an eight months' option to buy out the stock-holders at thirty per cent. of the nominal value. He then saw John S. Kennedy in New York, another Scots banker, who was trustee for the St. Paul and Pacific mortgage holders. The bonds outstanding amounted to \$27,000,000, the last and largest issue (\$15,000,000) having been made as recently as 1871. Jesse P. Farley, the Receiver appointed by the United States District Court, negotiated for their purchase by the syndicate, and the money was advanced to them by the Canadian Bank. It is said that the combination formed by the above put only \$283,000 in actual cash into the enterprise. The control of other interests necessary for the consolidation of the system was acquired on the favourable terms rendered possible by the conditions which then prevailed. A new Company was eventually formed in which the promoters received \$15,000,000 stock, and bonds were floated for £16,000,000. In 1878 Donald Smith induced Mackenzie, the Canadian Liberal Prime Minister, to introduce a Bill for the construction by the Government of a continuation of this line from the United States border to Winnipeg. The Bill was thrown out. When they came into office shortly after, however, the Conservatives carried the extension through, and the enterprise was successfully launched as the St. Paul, Minneapolis and Manitoba Railway Company, with Mr. Stephen as President, Mr. Hill (who had been a local agent in Minnesota for the railway when it was the

St. Paul and Pacific, and who had obtained the franchise for it after a stiff fight) General Manager, and Donald Smith principal director. While this *coup* has been described as a "financial master-stroke," nothing in Lord Strathcona's career has caused more unfavourable comment in Canada. It is easy for all of us to be wise after the event, and with the great land grants and other advantages involved enormous profits were certainly secured. The Dutch bondholders no doubt subsequently felt that they had been defrauded, like many other foreign bondholders in American railroads. But they seem to have taken adequate precautions to protect themselves at the time. For when the Receiver opened negotiations with them for the purchase they sent a representative to Minneapolis in their interest, and he found the position depressing enough; two years in succession the district had been devastated by locusts, and it could not be known that they would disappear at once, and be followed by the greatest harvest ever known. The fortunes the members of the syndicate made out of the deal did indeed originate in much the same way as those now popularly associated with the name of Jay Gould. But in the case under consideration it is fair to point out that as far as Lord Strathcona and Lord Mountstephen were concerned, they were under no obligations to the existing company. They were pursuing the aim of securing railway connection for the Canadian North West, under very unfavourable and discouraging circumstances, and they had for the purpose to count with the extremely unsatisfactory American railway finance of the time. So also, while they took advantage of their position as directors of the Canadian Bank to obtain the necessary money, it must be remembered that such an operation was not at that time regarded in the same light as it might be to-day. What was most dubious about the transaction was that the American Receiver subsequently claimed that there was an understanding that the profits of the deal were to be held in five parts, though only four names appeared in the syndicate, and that he was entitled to the fifth part when his release from his official capacity should enable him to receive it. He did not receive it. Once more there appears a misunderstanding in an important

transaction, from its nature incapable of binding agreement. Farley at any rate was so convinced of his own side of the case that, in spite of the odium which publicity must attach to him, he pursued the matter in the law courts until his death. His heirs were not in the end successful; as from the nature of the alleged transaction they hardly could be.

In the election of 1872 the Conservative party were returned to power by a small majority. Sir John Macdonald had already given Sir Hugh Allan, of the Montreal Steamship line, a promise to promote the Pacific Railway, a charter for which he already held, if they were returned to power. The return of the Conservative Government was therefore of great importance to him. It does not seem open to doubt that he furnished funds for the Conservative campaign on an unaccustomed scale, to the great resentment of the Liberal Party. The matter was referred to a Royal Commission of enquiry in 1873. In the debate on a motion of want of confidence which arose out of the Report, the assistance of Donald Smith became a source of anxiety to the Government, and they put themselves in urgent communication with him. The news of the critical situation reached him at Qu'Appelle; "he travelled with unprecedented speed, relay after relay of horses being furnished." Mr. Beckles Willson quotes an observer as saying that "It has been his device never to allow anyone to know what he is going to do until he has done it. When that has transpired it seems tremendously worth while—the only right thing to have done. This scene was to be a case in point. The House that had been before in a whirlpool of excited noise fell into a dead calm. Even until his closing words it was not evident whether he would adhere to his party or desert it." But he concluded "For the honour of the country no Government should exist that has a shadow of suspicion resting upon it, and for that reason I cannot give it my support." Sir John Macdonald resigned the following day without taking a division. That Sir John Macdonald and those in his confidence had anticipated a different intention from their interviews with Donald Smith is clear from the bitter personal resentment they displayed, the odium in which he stood for years afterwards with

the Conservative Party, and the descriptions of these events in Sir Charles Tupper's *Recollections of Sixty Years*; Sir John Macdonald insinuated in a speech in the House of Commons that the rejection of the St. Paul-Manitoba Bill in 1878 was a return for the desertion in 1873. On the Conservative Party succeeding to power, at the instance of Dr. Tupper, who took the portfolio of Railways and Canals, in 1880 Sir John Macdonald once more faced Parliament with a policy of a through line to be built, owned, and operated by a chartered company, to be liberally subsidised by the Government with the lines already built, a cash bonus, and land grants. Sir John Macdonald, Dr. Tupper and Mr. J. H. Pope went to England with the object of inducing financiers to interest themselves in organising a company for the purpose. They were accompanied by Mr. Stephen and Mr. McIntyre, who was already building a section through the Upper Ottawa Valley, subsidised by Government. The enterprise did not appeal to capitalists in London. But in the autumn of that year an agreement was entered into with Mr. Stephen, Mr. McIntyre, Mr. J. J. Hill, Sir John Rose, Mr. J. S. Kennedy (a New York banker), and Baron Reinach of Paris. Donald Smith was also interested. It is significant that his name did not appear, although both Mr. J. J. Hill and Sir Charles Tupper subsequently, on different occasions, spoke of him as the one man to whom the existence of the C.P.R. was due. When the contract was laid before Parliament it was denounced both for its suspiciously lavish terms, and for the unjustifiable expenditure of national resources for the small return in prospect. When owing to its construction settlement had spread and made it extremely profitable there were plenty to cavil at its privileges. But even although construction was pushed on rapidly and very ably by Sir William Van Horne and the engineers associated with him, the Board had many anxious times; and by 1884, their credit undermined by their competitors, the Northern Pacific and the Grand Trunk, they had to revert to the Government for further assistance in their difficulties. Sir John Macdonald and his colleagues did not forget Donald Smith's "treachery" in 1873. "It was only through a final and at the time seemingly hopeless

appeal to Sir John Macdonald, reinforced by the no less determined pleading of Sir Charles Tupper, and the late Mr. Frank Smith, that the Company did not go into the hands of the Receiver." (*Times* obituary notice, January 21, 1914.) Donald Smith drove the last spike of the first all Canadian railway knitting together East and West on November 7, 1885. In recognition of what had thus been accomplished he was made a K.C.M.G. in the following year. Mr. Beckles Willson quotes Lord Strathcona as saying that he would have been hundreds of thousands of pounds in pocket if he had never had anything to do with the C.P.R. But that was before the period of great prosperity had set in. When its success was assured, Mr. Preston would have us believe that in availing themselves of private enterprise the Conservatives betrayed a national interest, which it was the policy of the Liberals to preserve. But his position is untenable. The Liberals were averse from jeopardising national funds in the construction of the railway, and denounced the sacrifice, as they thought it, of the interests of the more populous East to the sparsely-settled West. There can be no question that by pushing forward the construction of the C.P.R. Donald Smith advanced by several years the settlement of Western Canada, and greatly promoted Imperialist interests thereby. As he fully realized, many of the emigrants who settled in Canada would have been tempted to stay in the United States if the only access to the North West had been by American railroads. These had already a start in communication with the West, to the importance of which the Americans were fully alive. In the Report of the United States Senate Committee on Pacific Railways of February, 1869, occurs this significant passage: "The opening by us first of a Northern Pacific railroad seals the destiny of the British possessions west of the ninety-first meridian. They will become so Americanised in interests and feelings that they will be in effect severed from the New Dominion, and the question of their annexation will be but a question of time." Already in 1866 a Bill had been read twice in the United States House of Representatives providing for the inclusion of the Canadian provinces in the United States, an extraordinary proceeding.

Sir Donald Smith, after being unseated on appeal, was defeated at the succeeding by-election for the Dominion House of Commons in 1880, and, his attention engrossed by his financial enterprises, he took no further personal part in politics until 1887, when he re-entered the House of Commons, as member for a Montreal constituency, as a supporter of Sir John Macdonald. In 1895 Sir Charles Tupper, then High Commissioner for Canada in London, was recalled to stem the waning influence of his party. At the time he was engaged on the question of the establishment of a fast Atlantic steamship service and a Pacific Cable, and recognizing the value in these projects of Sir Donald Smith's prominent financial standing and experience, on becoming Premier he appointed him his successor. No better choice could have been made. He devoted to the office all his talent for detail and his love of work ; his fortune enabled him to entertain on a wide scale the Canadians who visited England, and the English who had Canadian interests and sympathies ; above all, his intimate knowledge of Canada and its history, and the strongly Imperialistic opinions which he held, were invaluable in welding Canada to the Mother Country at a critical time. And it is to the credit of the Liberal Party that, recognizing all this, they maintained him in office during their periods of power.

In 1896 Sir Donald Smith received the G.C.M.G., to be followed at the Diamond Jubilee by a peerage. His public benefactions had been munificent, especially in Montreal ; now that he was settled in London they became more marked in Great Britain. At the time of the reverses at the beginning of the Boer War, his early grasp of the conditions prevailing in South Africa, and his knowledge of the fitness of the North West Mounted Police to cope with them, prompted him to offer to raise and equip Strathcona's Horse, a body of nearly 600 men. And so the new clan was fittingly established ; for by the patent of nobility which followed shortly after the title passed through his daughter Mrs. Howard to his grandson. In the House of Lords Lord Strathcona took no prominent part in English politics, preferring the rôle of ambassador of Canada. But as such he introduced, and ultimately saw placed on the statute book, a Bill to relieve deceased

wives' sisters legitimately married in the Colonies from disabilities in other parts of the Empire. And it was suspected that his Imperial enthusiasm betrayed him into heavy covert contributions to Tariff Reform campaign funds. In spite of his lavish benefactions to McGill University and in other directions, he left a fortune still amounting to nearly five millions sterling at his death.

The window erected by subscription in Westminster Abbey in memory of Lord Strathcona bears the fitting description, "Great Canadian, Imperialist, and Philanthropist." Speaking at Southampton on the day of his death Sir Austen Chamberlain said: "With no advantages of birth or fortune, he made himself one of the great outstanding figures of the Empire. He made a great fortune, but, what was more, he used it nobly, not for himself, but for his country and his Empire. He did more than make a fortune. He helped to make a great nation, the greatest of our sister nations over the seas, and to encourage in that nation a larger patriotism which, abating not one jot of its own local spirit, can yet impress the Empire as a whole, can think Imperially and place Imperial interests before any local interests, however important at the moment they may seem." (*Times*, Jan. 22, 1914.) If the Hudson's Bay Company had not found a practicable North West passage as a short cut to the golden East, as the cavillers among the public reminded them throughout their earlier history, the daring explorations on land of their officers in those days, and the daring exploits of their Chief Commissioner, on the change of their territory from Rupert's Land into the great North West of the Dominion of Canada, had founded, with the enlightened self-interest in which the British Empire is rooted, a yet more profitable, and a yet more expeditious, All Red Route to the East.

IX.—Governor: Sir Thomas Skinner, Bt.

It is hardly to be supposed that a man of the tenacious character of Lord Strathcona would at the age of ninety suddenly reverse on his own initiative the conservative policy of a life-time, and put into practice that which he had yearly resisted when it was urged on him by Mr. Kitchin. When on his death Sir Thomas Skinner became Governor and Mr. Leonard Cunliffe Deputy Governor, it was generally believed by the public to be the reign of Harrods. It does not appear explicitly in the Reports what the actual situation was. From other sources the public seem to have been not without substantial grounds for their belief. They saw that immediately after the election of Mr. Richard Burbidge (the Managing Director of Harrods Stores) the Departments of the Hudson's Bay Company's business in Canada, which had been united under the re-organization effected by the Chief Commissioner when Mr. Chipman held that office, and Lord Strathcona's Board was economizing, were placed under the control of three separate Commissioners, and Mr. Herbert Burbidge, Mr. Richard Burbidge's younger son, was appointed Commissioner of the Stores Department there. The Accounts showed that fresh capital and reserved capital were poured into that department. The suppliers to the Company in England received a letter in January, 1911, intimating that thenceforth the purchasing of goods in England would be conducted by Harrods Stores. Harrods' customers were informed that for genuine Hudson's Bay furs they must now go to Harrods. The way had been prepared. In the *Economist* of 30 April, 1910, there appears an article on "The Hudson's Bay Position," which begins with the statement: "In the early months of this year the price of shares rose sharply, partly because of the influential buying in anticipation of

certain changes in the management. It was generally explained that the company's trading business was to be re-organized, and that the directors had engaged the manager of a big London Store to supervise the marketing and the sales of Hudson's Bay furs. But this explanation does not, we believe, cover the whole ground, for changes are in progress of more importance than a mere re-organization of sales, and the result may be a considerable alteration in the company's construction, *personnel*, and management. The highest price ever reached by the shares was 129½ in 1906. In the depression of 1908 they fell to 68. The purchases of shares which have sent the price up in the last two years from 68 to 109 are understood to have been made by very influential investors, and it will probably be found that New York is largely interested in the bull movement, which accounts for the recent rise." It appears sufficiently obvious from subsequent events, and possibly the writer on the *Economist* was shrewdly alive to the fact at the time, that the buying was in reality buying for control. The "very influential New York investor" got in more cheaply than three years before in the Burlington Quincy battle; but he was not up against his "pet enemy" Harriman at his own game, and Lord Strathcona was rather in the Morgan camp in American finance than otherwise, through his J. J. Hill-Northern Pacific associations, and Lord Lichfield was not in a position to take part in the battle of millionaires on his own account.

- It was not until three months later that the Proprietors of the Hudson's Bay Company were taken into the confidence of the directors.

In the autumn Mr. Richard Burbidge accompanied the Deputy Governor, Sir Thomas Skinner, to Canada. On his return a Press campaign seems to have been opened. In November the editor of the *Financial Times* wrote:

"Rise in Hudson's Bays.

"The rise of 9 points, to 109, which has occurred in the price of the £10 shares of the Hudson's Bay Company since the commencement of this month is attributed in market circles to the generally satisfactory outcome of certain negotiations which have been going on in Canada. The net results of these will, it is believed, be to greatly strengthen the Company's position in the fur trade and also to secure to the shareholders a much larger

proportion of the profits derived from the sale of furs than has hitherto been the case. There does not appear to be any ground for associating the advance in the price of the shares with sensational developments in connection with land sales, which are pursuing a normal course. As already stated, however, the Company's fur business is likely to prove very remunerative during the next few years."

In the *Canadian Gazette* of 17 November, 1910, the organ of the Deputy Governor himself, there appeared a long interview with Mr. Burbidge in the course of which he said that "The Company sells these skins [an assortment of furs in Harrods fur department described as Hudson's Bay furs] just as they are by auction in Montreal, where buyers from all over the world assemble to bid for them. This is, I believe, the first time that a display of the Hudson's Bay Company's furs has been seen in London." The only time that the Hudson's Bay Company ever made a public display of their furs was in fact, at the request of the Government, at the Colonial Exhibition in 1886. The Governor of the Hudson's Bay Company justified the large expenditure on Beaver House, the new Fur Warehouse recently constructed, when the cost was questioned by a critic, on the ground that the site had been selected and the building designed "with the object of confirming this neighbourhood as the centre of the London Fur Trade. We felt that such a step would assist this market in maintaining its pre-eminence as a World market, and let me say that the selling of the furs in London to the best advantage—which we have done for 260 years—is just as much a main operation as the collection of Furs in Canada. . . . We have tried to provide in every possible way for the convenience and comfort of the important buyers who come to our sales from every part of the world, and we have done all this in the belief that if we of the City of London desire to retain our trade, we must march with the times, and if we desire to increase our trade we must make ready for it in advance." (Speech at the General Court, 27 June, 1930.) At the opening of the new Sale Room on 30 January, 1928, he was accompanied in the rostrum by most of the directors, and he then recalled to the assembled buyers how for the greater part of two hundred years preceding the lease of the silk warehouse of the Honourable

East India Company at 1, Lime Street, in 1865, the sales had been held at the Company's own Warehouse in Fenchurch Street. The appreciation of the trade was then expressed by leading buyers from various countries.

In an article in *The Joint Stock Companies' Journal* (March 15, 1911) on "Harrods Stores, Ltd.," following the annual meeting of the shareholders of Harrods Stores, Ltd., on 28 February, 1911, at which the Chairman referred to the advantages to accrue to them from Mr. Burbidge becoming a director of the Hudson's Bay Company, the writer says: "Nevertheless, the fact remains that the circle of customers trading at the Stores continually increases, and the particular reason why we look for continued expansion is to be found in the fact that the new premises are destined to house what will probably be the finest establishment for the sale of furs that Europe can boast. It is of importance to note that Mr. Burbidge, greatly to the advantage of the Harrods Stores' shareholders, has lately joined the board of the Hudson's Bay Company, and that an arrangement has been entered into between the two concerns which will give to the fur department the pre-eminence to which we allude." In November following the manager of the fur department at Harrods stated to the reporter of the *Standard* (v. 20 November, 1911) who was preparing an article on Furs, that "Harrods (Limited) are the buying agents for the Hudson's Bay Company, the most famous company of fur traders in the world."

What was the nature of the arrangement entered into with Harrods by the Board of the Hudson's Bay Company for the sale of their furs? Their Reports and their Governors' Speeches are silent on the point.

The Report of the Hudson's Bay Company for 1912 speaks of the important new premises being erected which will greatly increase the accommodation for Retail Business at Winnipeg, of important new premises being erected at Calgary, new Stores opened at Vernon and Kamloops; that for 1913 of building operations commenced at Vancouver on a new site adjoining the Store, when completed the old Store to be rebuilt to make a homogeneous whole, of a Retail store about to be created at Victoria, of plans being prepared for a new Depart-

mental Store on Portage Avenue, Winnipeg. In these Reports the Board speak of themselves as very gratified with the results of their more energetic measures in this direction. In the 1914 Report the measure which had been urged on the old Board is carried into effect, the results are shown separately in the Accounts: Profit from Fur Trade £55,008; Stores £63,757.

How did Mrs. Chump fare? Before Lord Strathcona's death she had received an Interim Dividend from Trade of 15 per cent. on ten £1 shares equal to 30s. on her old £17; she now received 50s. from the Land, and nothing more. In 1915 no Dividend was paid; the War had broken out. The price of the share at 31 December, 1914, was 6½, and 1915 5½.

Mystified by the events of 1910, Mrs. Chump may be supposed to have entered the Rolls Royce, which the prescience and the relentless obduracy of her trustee had enabled her to enjoy deservedly at last, accompanied as usual by now by her grand-niece, and to have gone into the City to enquire of her bank manager what was happening. He referred her to the Bank's stockbroker, and that conservative and shrewd old gentleman, on hearing her question, nodded his head sagely and said, "A Stock Exchange manoeuvre, just another step in the Americanization invading the City." Mrs. Chump went away feeling little wiser, and soon forgot about it. But her grand-niece felt wise and experienced later when, on rapidly skimming the pages of Boccioni's *Pittura Scultura Futurische* she read (in the Italian) four years later "Our conviction . . . of the necessity of Americanization, entering into the seething vortex of the new world through its crowds, its automobiles, its telegraphs, its stark workmen's quarters, its roar, its shrieks, its violence, its cruelty, its movies, its implacable 'get.' " "Its implacable 'get'!" She liked the term, and she laid the book down with an approving smile. For we must suppose that by then Mrs. Chump had at last passed away, with much else at the time of the War, and that her heiress enjoyed her wealth in her place, but untrammelled by any "stuffy" trustee. Henceforth, therefore, I shall refer to her as Miss V.A.D., showing a proper deference to her love for short cuts and clipped language, for here

indeed she had justification, Voter And Director of her own Destiny being a cumbersome title to repeat.

It is not likely that the stockbroker had precisely the same thing in mind as the artist. Reference has already been made to Mr. Winkler's estimate this year of the late Pierpont Morgan as such a financial genius as appears but once in a century, and as he died in 1913 and there has been time for "debunking," it would not be without edification for Miss V.A.D. to study that account, which has the advantage of mature consideration after the similar biography written by Mr. Hoovey at the time of Mr. Morgan's death. So famous was this financier for his great operations that they produced a new word, Morganeering. His railway wars and railway amalgamations were succeeded by the huge United States Steel Corporation ("the first billion dollar merger") in 1901, the International Mercantile Marine in 1903, embracing British as well as American shipping lines, "which did not justify itself nor become a paying proposition until dowered with the artificial profits of the Great War," the yet more questionable United States Shipbuilding Company, "a strangely financed \$50,000,000 combination, which collapsed with an exposure of crookedness that seemed to affect not only the judgment but the moral integrity of the House of Morgan," the acquirement of the control of the great Equitable Life Assurance Society, with \$413,000,000 in total resources and a share capital of only \$100,000. These were great speculative ventures, for which great profits were necessary to induce wealthy financiers to embark upon them. The process gave birth to an expressive term in the Americanization of language to describe it, "melon-cutting," the division among the financiers of the profits of promotion.

After the slump and money stringency of 1903, America enjoyed great grain and cotton crops in 1905 and 1906, and the country resumed its industrial boom on a greater scale than ever before. The benefit to the shareholders in the Hudson's Bay Company is reflected in the figures for these years; at that time their best customers were the frontier farmers, who having industriously established farms out of the virgin prairie

sold out at tempting prices, re-established on the prairie, and now crossed the border into the Canadian North West. No new melon would appear to have been more inviting at that time than the Hudson's Bay Company, with a name to conjure with among the public, vast undeveloped resources, and a complaint in England, where its conservative proprietors were, that its management was not putting them to their best use. Then in 1907 Nature intervened.

The Hudson's Bay Company's Report in 1908 speaks of a partial failure of the harvest in the previous year and financial stringency. In February in 1907 the stock market in America had shown evidences of being top heavy; there was a dip known as the "March Panic" or the "Silent Panic"; then high money rates drew gold from Europe, and the crisis was averted for a time. Thomas W. Lawson in his lurid articles in the Press and in his book *Frenzied Finance* had already shaken the confidence of the public owing to the revelations of what he called the "System" (i.e., these American financial methods), he having quarrelled with the Standard Oil group over the melon-cutting in the case of the promotion of the Amalgamated Copper Company. Real money was withdrawn, prices fell, and the crash came in October, 1907. To render a repetition of the disaster impossible counsel was taken and the Federal Bank Reserve system was established. But American speculation is American speculation, and we have just seen the whole history repeated on a vaster scale in 1929.

There was a Secretan Copper Syndicate in Paris before the Amalgamated Copper Company in Boston, and Kartel Trusts and Rationalization are not a peculiarly American product. Two developments in modern finance are more exclusively associated with the name of Pierpont Morgan. The first is the Voting Trust and the Holding Company. Mr. Winkler writes that Pierpont Morgan "was a representative only of capital, and capital demanded stamping out competition. Broader questions of social morality did not penetrate his consciousness to the slightest degree. He was looking out for himself and his clients." When in the distrust of American Railways in 1889 (of those "listed on the London Stock

Exchange, with par value of more than half a billion dollars, but one company was paying dividends on its common stock") he was approached to put the Philadelphia and Reading line on its feet, he stipulated that he was to control the road through voting proxies. "Morgan now committed himself," we are told, "to a course from which he never deviated: he determined to control every railroad into which his financial genius breathed life. He would control either through ownership of stock by himself and his friends or through a 'voting trust.' The voting trust was a spiral device by which one man or one small group could hold the proxies of millions of stock owned by others. Through it, Morgan was to make himself a 'one-man power' in American finance." As an example of a holding company he quotes Mr. John Moody. When Pierpont Morgan's aid was invoked for the Atlantic Coast Line it was rapidly expanded from 2,100 to 11,000 miles through absorptions and permeations. "This sudden building up," he writes, "was done by the now very general practice of taking stocks from the hands of the public and replacing them with bonds; that is, by buying stocks for the corporation with money raised by selling its bonds. The result was an astonishing step in the centralizing of railroad control. The Atlantic Coast Line Company was one of those extraordinary legal structures, the holding companies, which were being devised at that period to concentrate the control of railroad properties in a few hands. When the aggregation made under it by Morgan was complete, this corporation, with \$10,500,000 and \$13,000,000 of debt certificates, controlled a majority of the \$50,000,000 stock of the Atlantic Coast Line road; this, in turn, had its big issues of bonds, and also owned a majority of the Louisville and Washville stock. This also had great bond issues. By this continuous splitting of stock into fractions and the issue of bonds, the control of \$470,000,000 of stocks and bonds in public hands was placed in the \$10,500,000 worth of stocks of the Atlantic Coast Line Company. One share over half of this, \$5,250,100, would control the great whole, a capital ninety times its own size." Mr. Winkler, too, tells us of the American railway finance of the time,

"the game was absurdly simple." "The stock alone held voting power, and the promoter was careful to retain control of the stock. Also he often controlled the construction company that was to build the road, and contracted to pay himself anything he wanted for his work." Out of this power arose the second development, the tendency of Mr. Morgan to regard the companies as his own, and the claim to do as he liked with his own, and not as a trust for others. He resented President Roosevelt's intention of testing the legality of the Northern Pacific and the Great Northern mergers in the Northern Securities holding company under the Sherman Anti-Trust Act; he is stated to have been "almost apoplectic with wrath," and to have declared that he would "even vote the Democratic ticket to get that fellow out of the White House," and he complained that "If he had his way we'd all do business with glass pockets." When the Congress Committee referred to later was appointed, he said that "he would rather go to jail than discuss his private affairs; he hated being placed on exhibition." In spite of his lavish expenditure and gifts during his lifetime, he left net taxable estate amounting to \$68,384,680 at his death.

Shortly before the crash in America Sir Sandford Fleming had retired and given place to Mr. Leonard Cunliffe at the Board of the Hudson's Bay Company. It may be presumed that the difficult years following it gave American financiers anxiety enough without fresh obligations; it was not until 1910 that he was followed by Mr. Vivian Hugh Smith, of Mr. Pierpont Morgan's London House, Mr. Robert Kindersley, of the London House of MM. Lazard Frères of Paris, Mr. William Mackenzie, of the Canadian Northern Railway, which the Canadian Government had eventually to rescue with public money, and Mr. Richard Burbidge. The last would appear to have received a pretty good slice at once. But he was the junior member. What were the aims of those whose names appeared before his on the candidates' list? Apparently it will never be known. By the time the 1913 Report was issued the Supplemental Charter, with a view to which steps had been taken in the previous

year, had been obtained, the Ordinary shares had been split, additional capital had been provided for, and the wider powers had been obtained. But Lord Strathcona did not die until 1914, and in that year the War broke out.

The Accounts for the following year reflect the general disorganization. Even in the Land Department, while the Receipts were £205,401, the Disbursements were £202,704. But as with so many people in business who understood so much better than the politicians how to turn emergencies in business to account, relief came from the War itself. The French Government required large purchases of supplies from Canada, and offered to appoint the Company their purchasing agents. Here a curious dilemma appears to have arisen. It has been seen that the purchasing and shipping organization of the Hudson's Bay Company had been broken down in favour of Harrods Stores, and the French Government appears to have been willing to appoint the Company their Agents, but not Harrods Stores. The Reports of the Company are reticent on the subject, and Proprietors appear to have shown the tolerance and patience displayed by the public in that time of great national emergency. But speaking at the Extraordinary General Court in January 1931, Sir Robert Kindersley said "I was responsible as the Governor in 1915, when I was appointed, for asking Mr. Sale to join the Board of this Company, and I did so because I respected Mr. Sale, and I wish to say a few words about the work he has done for this Company. In 1915 Mr. Sale joined this Company as a director. He joined to carry out shipping business in connection with the French Government, because none of the directors, including myself, did understand the shipping business." It therefore appears as though the Governor and Deputy Governor had found themselves unable to cope with the contract that had been undertaken without an adequate organization, or to establish one, and that Sir Robert Kindersley on succeeding to the Governorship called upon a friend competent to construct an organization in place of the one the Board had destroyed.

Sir Richard Burbidge, Bart., died in 1917, Mr. F. S. Oliver of Debenhams succeeded to his seat, and when

business resumed its normal channels at the end of the War, all trace of Harrods seems to have disappeared from the Hudson's Bay Company's affairs.

Sir Thomas Skinner had a well-deserved reputation as a fair and liberal-minded man. He made no secret of the fact that it had been his intention to retire from the Board of the Hudson's Bay Company when the changes took place in 1910, and that it was only in response to the united wishes of his old friend Lord Strathcona and the new directors that he consented to remain as Deputy Governor in place of the Earl of Lichfield, a decision which he afterwards regretted. The seat at the Board he vacated was filled by the election of his son, Mr. T. Hewitt Skinner.

X.—Governor :

Sir R. M. Kindersley, G.B.E.

As has just been stated on a preceding page, Sir Robert Kindersley deprecated discussion of the contract with the French Government, and his Reports do not give an account of the directors' stewardship under it, or indicate the respective shares taken by them in fulfilling it. It was only some years after the War that they obtained a Supplemental Charter enabling them to appoint Managing Directors from among their number, and to remunerate them as they saw fit without any entry of their emoluments appearing in the Accounts. But from the report of the Proceedings at the Extraordinary General Court in January 1931 something more can be learned of the business conducted. Sir Robert Kindersley then said that "Mr. Sale worked for seven years from morning to night in connection with that work, and he earned, through his ability, £1,500,000 from this business for the Hudson's Bay Company. I want to tell you this. He did that on a commission basis with the French Government that represented a net sum of one per cent. on the turnover, and, in other words, he carried through a turnover in those years of £150,000,000." On the occasion of the celebration in 1920 of the 250th Anniversary of the Company's existence a memorial account of its history was published by the Company, and it is stated therein that "the Hudson's Bay Company arranged credits for the French Government, the proceeds of which were utilised for purchases in Canada, the United Kingdom, the United States, and elsewhere. The Company was appointed the purchasing agent for the goods the French Military administration might require, and undertook to organize steamship services for the transport of goods to France. By subsequent agreement the Company was entrusted with the purchase and transport of the grain,

flour, and other foodstuffs which the French Government provided for civilian needs." The "quantity of goods transported exceeded 13,000,000 tons," mainly Breadstuffs, Sugar, Coal and Ore, and Munitions. "The Company purchased and financed on behalf of the French Government, under special arrangements with the British Government, a fleet of approximately 225,000 tons deadweight capacity. The Bay Steamship Company was formed for the purpose. . . . In pre-war days the organization of the Company was confined to Canada, but, for the operations we are here describing, it was necessary to create a network of agencies at the ports of discharge in France, and in the ports of shipment throughout the world. . . . It was not only to the French Government that the Hudson's Bay Company rendered great services during the War. For over four years, under various forms of Russian Government, including Bolshevich, it maintained an agency in Archangel, which was only abandoned when the British Government ordered the removal of all British subjects. During that period, all the munitions from France for Russia and Roumania were transported under the Company's flag, in effect, if not always in fact, to Archangel; on the return voyages over 350,000 tons of wheat, transported by rail and river from Siberia, together with timber, ore, flax, hemp, beetroot seeds and other cargo were taken to French ports." Many of the steamers were sunk by submarines, some were blown up, but "the remedy was sought in increased efficiency and the most complete arrangements for the rapid loading and discharge of the vessels . . . owing to foresight, not one of the Company's steamers was ever held up from sailing through want of bunker coals." It would appear that all this had to be organised and carried through from almost clean ground in the short space of seven years under the direction of Mr. Sale, if Sir Robert Kindersley is to be credited, and there is no reason why he should not be; it is certain that no Deputy Governor ever did the like for the Hudson's Bay Company in all its long history.

It is not difficult to form a rough estimate of the probable clerical and other expenses necessary to conduct this huge business, and to arrive at the conclusion that it

was the main source of the dividends from Trade during Sir Robert Kindersley's reign. While he thus generously gave Mr. Sale the credit for the work, the Proprietors would therefore appear to be under a deep debt of gratitude to him for the courage with which he stepped into the breach when Sir Thomas Skinner and Mr. Cunliffe relinquished their responsibilities, and secured the undivided interest of Mr. Sale.

How did Miss V.A.D. fare at this period? New capital, as much again as that originally represented when the Company was re-floated in 1863, had just been poured into the business for the first time since then; how should we now ascertain for the purposes of comparison the return to Miss V.A.D.? All this £2,000,000 new capital was issued in the form of 5 per cent. Cumulative Preference shares. In view of the rates of distribution announced by such Stores as Debenhams, Harrods, Selfridges, and Barkers, it is not unreasonable to consider that the Company's Stores should earn at least this 5 per cent., and it was so anticipated at the time, leaving something over in good times for the Ordinary shareholders, who relinquished the right to any dividend at all until this class had first been satisfied. It will not therefore be unfair to disregard the Preference Capital in the following statement. But a further modification has to be taken into account. When the Income Tax mounted, the Board abandoned in 1916 the old practice of paying the dividends free of Income Tax, and this is therefore allowed for below. From 1921 there is a further complication. Under the Finance Act, 1920, and a ruling given in the Court of Appeal, a refund had to be made to the shareholders in respect of the deduction which had been made of Income Tax not payable to the extent of the payment of Income Tax made in Canada and merely debited in the Accounts rendered from there. This also is taken into account, reducing the amount deducted for British Income Tax. It might be said that, inasmuch as a 6s., 5s., or even 4s. Income Tax was so high in comparison with that prevailing before the War, this treatment of it vitiates the comparison with that time; but it has to be remembered on the other hand that these dividends were paid in the debased currency recom-

mended to the Government by their financial advisers (of whom the Governor of the Hudson's Bay Company, as their Financial Adviser and a Director of the Bank of England, must have been among the chief), and while the Accounts show the figures of the inflation, the amount received in paper currency by Miss V.A.D. had a purchasing power of only some two-thirds of the gold sovereigns received by Mrs. Chump. After the £10 Ordinary shares were split into £1 shares the Board declared the dividends in a percentage on their face value, but for the sake of facility of comparison the following statement gives the amount received on each £20 share subscribed in 1863, and reduced to £17 in 1870 with the return of the £300,000 received in cash from the Canadian Government as compensation for the relinquishment of valuable rights previously enjoyed. Not only had no capital from Trading Assets been returned to the Proprietors, but money had been withheld from them, at the time of the great sale of land in the Edmonton Reserve and on other occasions, to be employed (through Building and other Reserves) in trading.

	Trade.	Land.	Price of £1 share 31 December.
Dividend to 31 May, 1916 (Income tax 3s.) ..	25/6	10/-	6½
Do., 1917 (Income Tax 5s.)	22/6	30/-	7½
Do., 1918 (" 5s.)	30/-	40/-	8½
Do., 1919 (" 6s.)	35/-	40/-	8
Do., 1920 (" 6s.)	35/-	30/-	5½
Do., 1921 (" 6s., less 1s. 8d. Canadian Tax = 4s. 4d.) ..	39/2	30/-	5½
Do., 1922 (do. do. 4s. 4d.)	54/10	20/-	7½
Do., 1923 (do. 4s. 11d., less 1s. 8d. Canadian Tax = 3s. 3d.) ..	29/4	4/-	5½
Do., 1924 (do. 4s. 6d., less 1s. 4d. do. = 3s. 2d.) ..	33/8	—	5½
Do., 1925 (do. 4s. 5d., less 1s. 5d. do. = 3s.) ..	34/-	—	5

£16 19 0 £10 4 0

An average per £17 share of £2. 14s. 4d. per annum, or about 16 per cent.

Whence was this fine result derived? More than half comes from the Land (for Interest on Instalments is now included in the Trade column). The Report for 1916 already tells of the greatly improved demand for Farm Lands, soon to become a world-wide boom. Succeeding Reports speak of the improving Land sales, Town sites as well as Farm Lands, but also of increasing Taxes. In 1919 no less than £80,000 was set aside to meet contingencies re taxation on lands in addition to the heavy taxes already paid. Farm Lands were sold for over £1,000,000 in that year, and almost as much in 1920. By 1923 the Company had become little more than a tax collecting agency for the government in respect to its sales. The Land Account for that year shows Municipal and other Taxes £255,736, of which £56,029 was chargeable to Profit and Loss, and cash received for Sale of Lands £267,896; for 1924 Municipal and other Taxes £251,621 (less £47,326 charged to Profit and Loss), and Cash received for Sale of lands £215,545. By 1924 the Account showed a Loss.

In considering the source of the profits from Trading it has to be remembered that until 1919 Interest on Instalments and Rents had been included in the Land Account. The net profit under this head when transferred to Profit and Loss amounted to £692,255 for the six years 1920-1925, equal to 13s. 10d. per annum on £17.

Most of the remaining dividend, from what Sir Robert Kindersley stated, must have been derived from the War contracts, so these deductions seem to more than account for any increase over the normal rate of profit on trading. Yet it was not alone in Land Sales that the War produced a boom. The sudden enormous expansion in the income of the wage-earning classes compared with the very scanty spending capacity to which they had been limited previously proved most advantageous to the Departmental Stores that catered for the wants of the general public, and as we have seen the prairie farmers had a most prosperous time. The Company was in the fortunate position of having at their disposition the additional capital recently subscribed for the development

of this business. Thanks to the perseverance of Mr. Kitchin and his friends, Proprietors were at last able to learn something of what the Stores were earning on their own footing. Unfortunately for this purpose, while the 1914 Report had shown the respective profits clearly, Stores £63,757, Fur Trade £55,008, by 1915, while the Fur Trade Loss is stated to be £33,536 and the Stores to "promise decreased trade for the period of the War," their actual results disappear in a combination with "General Trading," while the results in the Fur Trade are still exposed nakedly, with fluctuating success. It is not without some significance for future events that while in "the unprecedented dislocation in the Fur Trade" due to the War, resulting in a further decline in prices, the loss was only £33,536, in the frenzied finance which overtook England the Board reported with complacency in 1921 that they considered it a "satisfactory result in the crisis unprecedented in severity" that a loss of only £84,086 was disclosed. Its profit for the year before had been £203,856, with capital amounting to £1,508,947 employed in it. With £4,105,591 employed in the "Stores and other Trading" the profit was £204,960. In 1922 the Fur Trade Profit with similar capital was £237,082, the Stores and other Trading, with over three millions sterling employed, £77,871. In this year Sir William Mackenzie retired, and Mr. F. H. Richmond filled his place, so Debenhams now had two of their directors at the Board. But notwithstanding, in the following year, 1923, while the Fur Trade showed a profit of £196,304, the profit from Stores and other Trading, with more capital employed than in the previous year (£3,444,192), was only £15,920. It is not surprising that the Board which had come into power on the cry of development of the Stores and, amongst other minor points, the separation of the Accounts, should report in 1924 that, "as announced the previous year," all Profits had been combined. They still only amounted to £292,164, after the greatest wheat crop since the prairie was opened to settlement, as they reported at the same time. The land contributed less than nothing; as mentioned above there was a Debit Balance. History does not say if any protest was raised. The Company's report of the

Proceedings at the General Court merely gives the names of four gentlemen "who took part in the discussion which ensued." No reference to the subject is made in the report of what the Governor said in reply to questions. No explanation was offered in the Governor's speech. It would have been idle for the Proprietors to protest then; as usual they were faced with a *fait accompli*. As the Report said, the change had been announced to them in the Governor's speech in the previous year. The announcement is to be found in a few lines buried in a long speech. The Governor then said that "at the request of the shareholders, the Directors agreed to separate the items of our trading profits and set out the results of furs, trade and Winnipeg Head Office separately. We on this side of the table have never ceased to regret that step." Then the hoary bugbear is held up, so laughable to business men, "It simply plays straight into the hands of our competitors." Nothing more. The report of the Proceedings does not say whether any protest was raised. It merely gives the names of eight gentlemen "who took part in the discussion which ensued." No reference to the subject is made in the report of what the Governor said in reply to questions. The Meeting that year was more occupied over proposals for amending the Bye-laws, moved *en bloc*. Among more than five pages occurs a brief new Bye-law (25a) which has become the subject of no little discussion: "The Board may appoint from time to time any one or more of their number to be Managing Director or Managing Directors, on such terms as to remuneration and with such powers and authorities, and for such period as they deem fit, and may, subject to the terms of any agreement entered into in any particular case, revoke such appointment." It is significant in view of what has since transpired that although the Deputy Governor, Mr. Charles V. Sale, seconded the resolution for the adoption of the Report, it was Mr. Vivian Hugh Smith who seconded the Chairman's motion for the amendment of the Bye-laws. Mr. Smith is so seldom referred to in the Company's proceedings otherwise than as seconding resolutions formally without comment (which is quite in accordance with the Morgan tradition of dislike for "doing business with glass pockets," or

"being placed on exhibition"), it is worth while quoting what he then said: "I have much pleasure in seconding that resolution. I was not going to say anything, but one shareholder has talked about the time devoted by the Directors to the work of this Corporation. I do not want to talk about the ordinary Directors, of whom I am one, but I would like to say that nothing that we could do could repay the Governor and the Deputy Governor for the devotion and the work they have given to this Corporation, especially since 1914, when the Great War broke out. Such has been their devotion to the business of this Company that if they had been properly paid you would have had to give them enormous sums, whereas the remuneration has been trifling. They have made enormous sums of money for the Corporation, and that is the reason, gentlemen, why I trouble you with these remarks. I do feel that we ought to recognize that. It was a disappointment to me to hear that even one of the shareholders did not realise what really has been done for us all." In moving the resolution, the Governor had merely repeated what he had said the previous year: "This brings me to the fact that the whole nature of your business has altered in the last ten years. The turnover is very much larger, the responsibility resting on your Directors much greater and the work entailed much heavier. It has become a much greater organization in every way, requiring constant attention. In an ordinary joint stock enterprise of this magnitude you would have a Managing Director paid a large salary for his services, quite apart from his ordinary Director's fees, and I want to tell you quite plainly that if you want good service from men of ability you must be prepared to pay for it. If you do not, the Company is bound to suffer in the long run." He then finished "I then foreshadowed that we would call you together in the autumn for that purpose. We did not bother to do that, because it is rather cumbersome having a meeting, and we thought we would deal with it this year." The passage of this Bye-law throws an interesting light on proceedings at an earlier General Court. Mr. Herbert Chamen proposed a resolution increasing the fees of the directors to 10,000 guineas (? I cannot trace a public record to confirm

my memory of the figure). Sir Robert Kindersley thanked him for his generous thought, but deprecated the discussion of the proposal then, and said the Directors would first consider the suggestion, and if they saw fit come to the Proprietors with their own proposals in their own time. How many of those then present recognised in the proposer a junior member of the jobbing firm of George Kitchin, which had taken part in placing Sir Robert Kindersley in power, and which was still a leading jobber in the shares? In 1924 Sir Robert Kindersley said in reply to a question, "As to Managing Directors, as a matter of fact we have really taken no action at all, and have appointed no Managing Directors up to the present. We have every intention of doing so, but up to the present we have abstained, largely, I must tell you, because certain members of the Board—and more particularly your Deputy-Governor—are prepared to give us an enormous amount of time. Personally I do not think he ought to be asked to do so, and I do not think it is a situation that can continue, and I personally should wish to get that adjustment made, and I think it will be made." He continued that "practically every big Corporation has these powers, there is no business in this country that could be carried on without them"—a statement that seemed calculated to awaken some distrust in his grip as a Governor, seeing that in the knowledge of his hearers "The Great Company" had successfully conducted its business for 253 years without them.

In his speech at the General Court in 1924 the Governor said: "Early this year, in response to repeated requests, we decided, as an experiment, to offer in Montreal for sale by private treaty a limited quantity of raw furs acquired for cash at some special points. I wish to lay great emphasis on the fact that the Company's periodical London fur auctions, which for generations have been a dominant factor in establishing the value of fine furs, will, as hitherto, comprise all the furs collected at all the Company's posts, with the very limited exception referred to. In the interests of the Fur Trade generally, we regard it as essential that the importance of these auctions should not in any way be diminished, and I want to assure the trade that the arrangements we have

made fully conserve those interests." He continued a little later, after referring to proceedings instituted against the producers of a Cinema film on the ground of misrepresentation of the Hudson's Bay Company in regard to alleged methods of Fur Trading, "Our attention has also been drawn to the fact that in many of the United States of America a considerable number of firms engaged in the Fur Trade have adopted a style of name which is intended to convey the impression that the firm is a branch of, or connected with, the Hudson's Bay Company. The business methods of some of these firms do not accord with those of your Company, and, acting on legal advice, we are taking steps to protect our good name and reputation." No attempt is met with to reconcile this with the statements of his late colleague, Sir Richard Burbidge, in 1910 and 1911.

The accounts for 1925 cease to set out separately the expenses incurred in London. The Profit and Loss Account shows only :

Governor and Committee	£5,000
Auditors' Fees	315
Payment to Archbishop of Rupert's ..	
Land	300
Balance	333,730

The bugbear the Governor again held up was that the Proprietors' "interests are likely to suffer so far as taxation is concerned if we continue along the old lines." The Profit from Trading had fallen to £211,033, and the Deficit in the Land Account had increased to £33,246. The capital invested in the Fur Trade was £1,576,490, and in the Stores £3,437,770. The Governor announced the retirement of Mr. Edward FitzGerald, the Deputy Chairman of the Canadian Committee and Chief Executive Officer in Canada. Apparently already in Canada the functions of a member of the supervisory committee and of an executive officer had been doubled. The Proprietors do not appear to have ever been informed as to the constitution and powers of the Canadian Committee; in a truly British manner it seems to have "just grown" out of the fact that two members of the London Board, Mr. Sandford Fleming and Mr. Donald Smith, were engaged for most of the year on their own affairs in Canada.

He then announced his own retirement, and the succession of Mr. Sale as Governor. In doing so he said that "during his term of office the Trading-side of the business had been actively developed, and that he felt satisfied that it is more and more from this branch that proprietors must look to sustain regular dividends. So far as the organization of the business was concerned, there never was a moment in its history when it was as complete or satisfactory as it is to-day—thanks largely to your Deputy Governor, and latterly, to Mr. Richmond also." There appears to be no mention of any Managing Director that year.

Sir Robert Kindersley has achieved an assured place in the annals of the Hudson's Bay Company. Mr. McKenzie concludes his *Men of the Hudson's Bay Co. 1670-1920* (his book takes account in fact only of the forty years of his own service, but that 1670 is magical in Canada) with a brief chapter headed "Pageant," in which he describes Sir Robert Kindersley's quasi-regal progress through Canada in 1920 in celebration of the 250th Anniversary of the grant of the Hudson's Bay Company's Charter (May 2): "All the Indians and the thousands of others gave him three cheers and a tiger and then some more cheers. His reception by the Indians, the people and the Press was all that a prince of the blood could desire. The following day he spoke at a Canadian Club luncheon at the Royal Alexander Hotel to over twelve hundred business men and bankers of the city, his subject being the financial burden of the Empire, and claimed the close attention of every one present, a very able address and very favourably received by those who claim to understand deep financial problems."

XI.—Governor: Charles Vincent Sale

WHEN Mr. Sale succeeded Sir Robert Kindersley as Governor and Mr. Richmond, passing over his seniors on the Board, became Deputy Governor, it would appear that Sir Robert Kindersley's testamentary forecast had been taken to heart by the Board. For six months later an Extraordinary General Court was held for the purpose of increasing the Ordinary share capital of the Company to £2,000,000 by the creation of 1,000,000 new Ordinary shares of £1 each. 500,000 shares were issued at once at a premium of £2. 10s. od., showing a substantial bonus on the then market price, and they were offered in the first instance to the existing shareholders. The issue was underwritten for a commission of 1½ per cent. on the issue price by Messrs. Morgan Grenfell & Co., in which Mr. Vivian Hugh Smith was a partner, although attention was not drawn to the fact, and Messrs. Lazard Brothers & Co., Ltd., of which Sir Robert Kindersley, who had only just vacated the Governorship, is Chairman. The lists of those who participated with them in the profits of the underwriting do not appear to have transpired. The Chairman said three or four protests with regard to this underwriting had been received, but notwithstanding the committee had entered into the provisional arrangements, and he gave as a ground that £1,000,000 had already been spent on new undertakings. The report of the proceedings circulated by the Company merely states that some discussion followed, during the course of which the policy of the Board in having the new issue underwritten was criticized. "The Governor, in reply, said that in addition to being an insurance against any untoward or general financial developments the underwriting of the issue would certainly have a stabilizing influence on the market, and was a safeguard to the Proprietors from the adverse effects of

any speculative operations." That has an ominous ring in the maiden speech of the new Governor. In old days it was a sound principle that the business of the directors of a joint-stock enterprise is to conduct its business in the best interests of the shareholders for the purpose for which it was formed, and not with an eye on the stock market. Pierpont Morgan's reputation suffered severely towards the close of his career over the insiders' secret stock market arrangements on the promotion of the United States Shipbuilding Company. In the following year the remaining 500,000 shares were issued in the same manner, this time at a premium of £3. 10s. od., though the total Trading Profit had been only £254,176 in 1926 and £151,909 in 1927. At the opening of his speech at the General Court in 1926 Mr. Sale announced that at a meeting of the Committee held shortly after Sir Robert Kindersley's retirement Mr. Richmond had been appointed Deputy Governor and himself Governor and Managing Director. Mr. A. K. Graham was elected in 1927 to fill the vacancy caused by the retirement of Sir Robert Kindersley in June 1925. No reference whatever is made to the occasion of this choice, although his name transpires later as a Managing Director. There is another unfortunate innovation from the stock market point of view in 1927. The Company issued a Circular in December announcing an Interim Dividend of $7\frac{1}{2}$ per cent., and stating that "the Governor and Committee have reason to believe that the total distribution to the Proprietors for the complete year ending 31st May, 1928, will be at the same rate as for the preceding twelve months. This forecast is a departure from both rule and precedent; but, having in mind the interests of the Proprietors at large, the Governor and Committee consider it advisable to make this exception because of the persistent rumours concerning the Company and its affairs." This is followed by an "Extract from *The Times* of Wednesday, 14 December, 1927: The Hudson's Bay Company's interim dividend announcement has been awaited with more than usual interest this year, owing to the recent circulation of rumours concerning the Company and its affairs. It is unusual for directors to give a forecast of the probable dividend for a year six months before its completion, but

the reason that the Governor and Committee of the Hudson's Bay Company have departed from rule and precedent is to reassure nervous shareholders who may have been disturbed by the rumours to which we have referred." What rumours, and who spread them? Miss V.A.D. will have learned when she too is inkyo that they are apt to originate in the stock market, where the stock jobbers as a rule are the only people to whom it is worth while to bear the direct and indirect expenditure necessary to maintain the channels of information bearing on a Company's affairs beyond that which is published publicly; they can use this information to their private advantage, and with greater safety sell in apparently good times, and buy in apparently bad ones. When the Board declared the final dividend the total distribution was 5 per cent. more than in the previous year, the balance at Profit and Loss being £438,295 against £151,909, while in addition £200,000 was brought into Profit and Loss from a Contingency Fund no longer required, £50,000 being appropriated to the Insurance Fund as a charge against the year's expenditure, £25,000 to a Provident and Welfare Fund, and £225,000 to a Dividend Equalization Account. For the last appropriation there is no justification. All that was said earlier with regard to treating the returns from the land as income and not capital applies with greater force here. The money at credit of Profit and Loss is the money of the Proprietors of the year. Those who have the entire control of their affairs in a speculative enterprise of this character are entitled to choose whether they will equalize their dividends by reinvesting a portion in good years either in the Company or outside it (which seems the more stable course when equalization is aimed at), but the directors are not entitled in justice to withhold it if the business does not require it (and if it does it should be so stated frankly), as though putting it in a money box for a child. It is unquestionably unjust to deprive a life-interest to the future benefit of a reversionary interest. The ulterior object of a Dividend Equalization Fund is to provide the directors with means with which to appease the discontent of shareholders in lean years, and so promote the security of their own tenure of their positions.

The Report stated that "The Accounts in connection with the operations undertaken by the Company during the War have been closed." Five months before the preparation of the Balance Sheet, and nine years after the termination of the War, it might surely have been judged when estimating the probable dividend whether money could be released from the Contingency Fund or not. Contrary to the old custom, there is no statement in either the Report or the Speech as to whether the Fur Sales had been good or bad, so it cannot be judged whether there was any great rise in prices; but if there had been, prospects would have been sufficiently well known already by December for public rumours to be bullish and not bearish. The departure of the Governor and Committee owing, again, to their preoccupation with the stock market, therefore appears to have been peculiarly unfortunate. While no comment on this is reported, a protest was raised at the General Court with regard to the treatment of the profits, and the alteration in the form of the Accounts. With regard to the latter the Governor had said at the opening of his speech: "As you have been informed on several occasions within the last ten years, our trade is becoming more world-wide in its extent, and it is not convenient, nor do we consider it compatible with your interests, to attempt a separation of the figures relating to skins or silks, tobacco or tea, or as to the results of trade in Canada or in England, or elsewhere, and for these reasons we have abolished the division between departments which appeared in previous accounts." The report circulated by the Company of the discussion which followed later is so characteristic, and has become so historically important, that it is worth quoting verbatim.

"Mr. Vere Herbert Smith congratulated the Governor on his able and lucid address, which, he said, was on the whole quite encouraging.

Mr. C. L. Nordon, in a long speech, criticised the policy of the Board in placing £225,000 to a dividend equalisation fund. He urged that this money, which, he claimed, really belonged to the shareholders, should be distributed by way of dividend. The Company was now launched upon an era of prosperity—unfortunately, delayed prosperity—but the shareholders, at the moment they should benefit therefrom, found the cup dashed

from their lips. Conservatism in finance could be overdone. Altogether, he had been disappointed with past results, and he quoted comparative figures relating to Canada, revealing the general progress in the way of population and wealth by way of illustration of his criticism of the Company's financial history. He urged the publication of greater details regarding the sales-shops, contending that the plea of reticence so as to avoid giving information to the Company's competitors was an illusory one. At the same time he did not urge anything in the nature of profiteering on the part of the Company, but strongly felt that the time had come for the stockholders to receive a decent return on the capital they had invested. He moved an amendment to the effect that the amount placed to the equalisation fund should be so allocated as to be capable of distribution to the stockholders in the way of dividend.

Mr. R. L. Samuel seconded the amendment, again putting in a strong plea that the board of directors should make larger distributions in the shape of dividends to the proprietors.

Mr. Perceval Smith said that he was a member of the Committee of Shareholders which a few months ago went fully into the affairs of the Company. Though he thought that shareholders ought to keep a very watchful eye on their interests in any company, in his opinion the attitude of the last two speakers was not that which the proprietors of a great concern such as Hudson's Bay could have desired. He and those associated with him on the committee to which he had referred completed their investigation, as he believed, with the full conviction that the board in their managements were in the closest touch with the local sentiments of Canada, and that their administration of the Company's vast operations were such as altogether to meet Canadian requirements. Further, the committee discovered that in the directors they had a live board, adapting the Company's organisation to meet the most modern requirements, and at the same time fully capable of dealing with all the problems with which they were likely to be faced. He and his fellow-members on that committee certainly completed their investigation under the strong impression that the shareholders had in the board a body of gentlemen upon whom they could place full reliance, and that altogether they were worthy of the unreserved support of the whole body of proprietors. As to the underwriting criticisms which had again been revived at that meeting, the committee undoubtedly found that not a scintilla of evidence had been brought before them which could lead any reasonable shareholder to come to any other conclusion than that the gentlemen constituting the board were men of honour and of the strictest integrity.

Sir Evan Spicer remarked that some years ago he visited Canada and exhaustively examined all the operations of the Company, with the result that since that period he had thoroughly and unreservedly supported the policy of the late Governor, as also that of the present Governor. Mr. Sale had given his time, his thought and his energy to the Company, and in such a way

as deserved the gratitude of all the proprietors, and he (the speaker) confidently anticipated increased prosperity for the Company as the outcome of all this assiduous labour.

The Deputy Governor said :—Mr. Nordon has specially mentioned me, and has said that I was connected with stores in Toronto and Montreal. That is not a fact. I certainly have connections with wholesale houses in those two places, which is an entirely different story. If I had had connections, retail connections, in Canada I do not think I should have accepted the position of Deputy Governor of this Company.

After some discussion on the terms of the amendment, it was agreed that Mr. Nordon's amendment should be submitted in the following terms :—

'That in rendering their accounts for the year ending May 31st, 1929, the Governor and Committee be instructed to show separately the gross and net profits from the fur and stores departments respectively, and to bring into account for distribution by way of dividend the sum of £225,000 carried by them to the dividend equalisation account.'

The amendment was put to the meeting, and on a show of hands declared lost.

The Chairman then put the original motion, which was carried *nem. con.*"

After the resolution had been carried and the retiring directors had been re-elected and the auditors re-appointed, the Governor then said :

"I think you know that in September last Mr. Nordon issued a circular to the principal proprietors of the Company. We had several meetings with an informal committee of those proprietors, and understood that its members were satisfied with the explanations received in answer to their questions. Mr. Nordon has now issued a further circular, dated June 11th, in which he again sets out questions and criticisms already dealt with, and of which he has spoken to-day.

We appreciate that every proprietor is entitled to ask questions, and so far as in our judgment it is right and wise to do so, we are glad to answer them to the best of our ability, but I am sure you will understand that there are limitations. For instance, we cannot give special information to individuals which is not given to the whole body of proprietors, nor can we disclose information which might be of value to persons who are competing with us.

Having already answered Mr. Nordon, we do not propose to occupy our time, which we think can be utilised to better purpose, in further answering him. If the general body of proprietors desire otherwise, we shall have to consider our position. There is, however, one question to which I would like to refer—namely, that of underwriting. This was brought before an extraordinary general court on January 15th, 1926, and the details were formally approved. We think this matter must now be brought to a

close, and I propose to ask the proprietors to state that they do not wish us to occupy our time further in dealing with Mr. Nordon's questions or circulars. Mr. Vivian Hugh Smith strongly seconded the remarks of the Governor. He said he was present at the last three meetings of the Shareholders' Committee, at which all questions were dealt with, he thought, in a satisfactory manner. He added that he felt that the opponents of the Company would feel pleased if they knew that there was a division in the Company's ranks.

Mr. Perceval Frere Smith proposed 'That this meeting expresses its confidence in the Governor and committee.' This was seconded by Mr. H. S. Montgomerie and passed unanimously."

Nothing is to be learned from the report of the Proceedings the year before of the Shareholders' Committee referred to by Mr. Smith, or of the nature of Mr. Nordon's criticisms which the Governor said had been answered. It merely mentions "Mr. Nordon criticised several aspects of the Company's operations, and expressed the opinion that the return to the shareholders was unsatisfactory." Three pages follow reporting what another shareholder, Sir George McLaren Brown, had said about his favourable opinion as a Canadian of the present management of the Company compared with the past. His peroration had the fittingly confident Colonial ring: "Your bold policy is the proper policy, and I see in that policy proof that you have apparently learned what experience has taught the whole Western world—that if you are to look for permanent success you must think in terms of the future. A bold policy in Canada cannot fail, or can only fail if Canada fails, and that, believe me, gentlemen, is not on the cards. This is Canada's century; and she will go ahead steadily and without interruption to her great destiny, and in that firm belief, Mr. Chairman, I offer you my sincere admiration and most hearty congratulations. (Cheers.)" After Mr. Vere Herbert Smith had congratulated the Chairman upon his speech, and gone on to "express some regret at the result of trading," the Chairman in replying to questions "said that Mr. Nordon's criticisms were based on a misunderstanding of the accounts, and were not in accordance with the facts of the situation." He then passed on to a question of Mr. Vere Herbert Smith's, whether due attention was being given to the fact that the demand of the Canadian public ran in the direction of American

rather than British articles, his reply to which is reported at greater length. Three months later in a circular letter to "The Principal Shareholders" Mr. Nordon informed them that he found on referring to the Register that Sir George McLaren Brown had acquired his holding only 18 days before the meeting. The next year the Governor mentioned in his speech that Sir George McLaren Brown had been elected to a seat on the Board of H.B.C. Overseas Settlement, Limited, by which means "they were now in co-operation" with the Canadian Pacific Railway Company."

In 1929 power was sought to increase the capital by a further £1,000,000, to be issued as before in £1 Ordinary Shares. Mr. Nordon's criticism had effected something; the issue of the next 500,000 shares was not underwritten. The Chairman denied that the reversal of the Board's policy was influenced by Mr. Nordon's attitude, but in the absence of any other explanation of the cause Mr. Nordon must be credited with having saved the Proprietors £30,000. For, while the latest issue was less attractive in the money market, it was not less successful than the previous ones:

In January, 1926, 490,777 shares were accepted by the Proprietors.

" " 1927, 497,979 " " "

" June, 1929, 492,224 " " "

Of the balance fractional rights accounted for over 2,000, and there are always some people abroad, and others indifferent to their rights, just as in most Balance Sheets there appears an item of Unclaimed Dividends, though under Mr. Sale's reformation of the Accounts it has disappeared in the case of the Hudson's Bay Company, presumably into the one entry "Creditors and Credit Balances." If, therefore, the Board underwrote the two earlier issues because they were doubtful of their reception, this Board, so strong in financiers, at the expense, as its Chairman who resigned in 1925 has just said, in commercial capacity, appears to have singularly misjudged the money market. For the last issue was much less attractive to Proprietors seeing that to protect their original interest they had had to find in three years £12 for every £1 share; and while in 1926 their latest Profit from Trading had been £211,033 with £1,000,000

Ordinary Capital, and in 1927 £254,176 with £2,750,000 Ordinary Capital (including the Premium received), in June, 1929 it had increased to no more than £427,567 with £5,000,000 Ordinary Capital (including the Premium received). Out of this increased profit the dividend was only 15 per cent. (nominal) against 20 per cent. (nominal) on those two previous occasions, £75,000 out of it being placed to the Dividend Equalization Fund. £85,000 was also added to a Building Reserve, presumably additional to adequate Depreciation as usual, and therefore practically a further addition to Capital out of Profits. The historian is again left in the dark as to the expression of the opinions of the shareholders; the Report of the Proceedings merely states that "A lengthy discussion took place, among the speakers being . . . Various questions of policy, etc., were raised, to which the Governor replied." In 1930 the appropriation to Buildings Reserve was repeated, although the Trading Profit had fallen to £137,811 after its deduction, with the ordinary Capital now standing at £6,968,896 (including the Premium received). An "unprecedented" fall had occurred in the price of Furs (this term recurs so frequently as to become a normal feature of the trade); the crops had suffered from a prolonged drought; even so (owing to the operations of the Wheat Pool) "the storage of stocks throughout the winter deprived the farmer of ready cash, and dislocated the course of trade throughout Canada."

The distributions during this period were as follows:—

	Trade.	Land.	Price of £1 share 31 December
For the year ending 31 May, 1926 (Income Tax 4s. less 1s. 5d. Canadian Tax = 2s. 7d.)			
Do., 1927 (do. 4s. less 1s. 8d. do. = 2s. 4d.)	34/10	7/-	6½
Do., 1928 (do. 4s. less 1s. 6d. do. = 2s. 6d.)	17/8	20/-	41½
Do., 1929 (do. 4s. less 1s. 5d. do. = 2s. 7d.)	26/3	20/-	41½
Do., 1930 (do. 4s. 2d. less 1s. 4d. do. = 2s. 10d.)	26/1½	20/-	4½
	17/2	15/-	1½
	<u>£6 2 0½</u>	<u>£4 2 0</u>	

How is the return to Miss V.A.D. to be calculated now? The increase in the Capital can no longer be ignored. It looks as though when at the end of his long government Lord Strathcona at last yielded to the demand for rapid expansion which he had resisted for so many years, he had clung to his policy of the conservation of a great estate, and had insisted that the new capital should not disturb the prospect of windfalls for which the Proprietors had waited in bad times as well as good, and reverting to the concession that he had offered Mr. McLean and his followers in 1890 had consented to an increase of capital restricted to Preference Shares with the dividend limited. But freed from his restraint the Board had now at last capitalized their Land Assets as security behind the costly new Ordinary shares; a premium averaging £3 per share would not have been paid to increase trading which showed a 4 per cent. return. It has therefore to be assumed that as every issue went well Miss V.A.D., in common with her partners, by hook or by crook found the money to take up her allotments to preserve the fruits from the land which had been paid for originally and awaited so long. Her landed estate had now in effect been mortgaged to enlarge the shop which stood on it. There is no occasion to reduce the value of £17 set throughout on her ten nominal £1 shares; adequate depreciation may be assumed to have been written off, and Reserves out of profits stood at £1,730,000, Outstanding Instalments in respect of Lands sold at £2,253,890, and there were 2,401,082 acres of land still unsold. To preserve her rights to these she had added

1926	..	10	£1 shares entitled to	5	@	3½	..	£17½
1927	..	15	do.	do.	5	@	4½	22½
1930	..	20	do.	do.	5	@	4	20
								—
								60
Original	..							17
								—
								77
								—

For this £77 she received out of the trading Profits, including the £98,125 received for Interest on Instalments and Rents included until the middle of Sir Robert Kindersley's reign in the returns from Land, on her

25 shares £2. 1s. 5d., or $2\frac{3}{4}$ per cent. The last two millions did not rank for dividend till the following year, and interest at the rate of 5 per cent. per annum had been paid on the instalments received prior to 31st May. But payment for the unproductive buildings would not have to be made in advance, and in the meantime the money would be earning more outside the business, it appears safe to say, than was being earned in trading in it in any of these years. The Governor had previously given as a ground for the underwriting that commitments had already been entered into, so presumably progress had been made before the money was even asked for. This last issue was made eleven months before the Balance Sheet was prepared. While the year was a bad one, there had been ample warning when the issue was made at the end of June, 1929, that the excessive stock speculation in America, affecting every money market, was in a dangerously top-heavy state, and there must have been great confidence in the capacity of Canada to resist its effect, to proceed with further expansion then. At the time of the 1929 Balance Sheet new capital had not been issued since 1927, and the year was a normal one. The return on the 20 shares for which £57 had been paid, including £127,981 received for Interest on Instalments and Rents, was £2. 12s. 3d., or not quite $4\frac{1}{8}$ per cent. Presumably "Winnipeg Head Office" still contributed about £50,000. As the fall of 45 per cent. in the price of furs was stated in the 1930 Report to be unprecedented, the 1929 Sales were presumably at least normally good. To judge from the last two years in which the Profits of the Fur Trade were shown separately they would be at least £200,000, independently of later extensions. (The 1927 Balance Sheet no longer shows how much capital is employed in this Trade.) Those three items would make up nearly £400,000. What was left out of £427,567 for the return on the millions sunk in the stores?

It is not to be supposed that the investing public, smarting under the revelations of the modern manner of conducting finance in the City at the time of the Hatry prosecution, and the revelations of the manner of conducting finance in America which were appearing in the Press daily after the panic in the autumn of 1929, received

the Accounts presented in 1930 without protest. "On being put to the meeting the resolution for the adoption of the report and accounts, on a show of hands, was not carried. The Governor announced that a poll had been demanded, and that this would be taken at once. . . . When the meeting re-assembled, the Governor said the result of the poll was as follows: For the resolution, 12,931 votes; against, 1,588. The resolution was therefore declared carried."

The criticism had been led by Mr. C. L. Nordon. He said that "on previous occasions he had ventured to address the proprietors, but his observations had not been received in the spirit he might have expected. He had been subjected to attack and held up as an agitator, merely because, as one of the oldest shareholders in the company, he had put forward suggestions and prophesies—most of which had been fulfilled—in the interests of their hitherto great undertaking. Since 1927, as the table circulated amongst the proprietors set forth, they had received in dividends £950,000 on their Ordinary shares, but during that period the proprietors had contributed out of their own pockets £6,000,000 to the Company, and of that £6,000,000, on a rough estimate, they had lost £1,500,000. The proprietors would see that there was invested to-day in the trading capital of the Company the huge sum of £10,698,000, and upon that enormous sum the Governor and Committee had been able to earn only £137,000. That was equivalent to only $1\frac{1}{2}$ per cent., although the dividend declared on the nominal capital might be said to be 10 per cent. He declared that they wanted a Governor and Committee who were free from outside entanglements—for with their other engagements, how could the present members give adequate time to the affairs of the Company? He suggested that the proprietors should resolve that the report and accounts should not be accepted. If that happened the shareholders would suffer no jeopardy, but such a course would cause the Governor and Committee to answer the questions he had put."

As Mr. C. L. Nordon had issued a circular letter to leading shareholders, and had copies of it distributed to

those attending the General Court, it is possible to supplement this report of his speech circulated by the Company more readily than is usually the case. He drew attention to the capital expenditure on new offices in Bishopsgate, in which other firms with which the Governor and other directors were associated were accommodated, among them being the Merchant Trading Company (in addition to the offices in the newly-erected Beaver House, which contained the Fur Warehouse). The Merchant Trading Company, Ltd., had as directors Mr. Charles Vincent Sale, Mr. Emile Pusch (associated with Sir Robert Kindersley in the business of Lazard Brothers), Mr. Alfred Sale, and Mr. George Sheavyn Sale. Among its principal shareholders were members of Mr. Sale's family, two directors of the Hudson's Bay Company, Sir T. Hewitt Skinner and Sir Frederick Henry Richmond, and, largest of all, the Cushion Trust, Ltd., Messrs. Lazard Brothers Nominee Company. Its capital was £205,000, divided into 200,000 Ordinary Shares of £1 each and 100,000 Founders' Shares of 1s. each. Its aims, as stated in the Memorandum of Association, Mr. Nordon held to be undesirably akin to those of the Hudson's Bay Company to be so intimately allied in address and control. With reference to "Shares in other Companies," £783,316, he enquired what they yielded, and he said he had been informed that the Company had purchased £258,000 of shares in C. M. Lampson & Co., Ltd., another Fur business, under American control. He then went on to point out that according to the *Directory of Directors* the Governor and Deputy-Governor were engaged in a vast multiplicity of affairs which must occupy the greater part of their time and attention, and that four of the directors, among them Sir F. H. Richmond, the Deputy Governor, had not held a single share when they were put forward for election by the Board. He said he had complained time after time that the Company's Accounts were presented in a misleading fashion, that it was ridiculous to call a statement which merely contained the item "Net Profit from Trading" a "Profit and Loss Account" and he drew attention to the misleading entry as the remuneration of the Governor and Committee of only £5,500, if in fact some of them were being additionally remunerated

under the new Bye-law (25a) providing for the payment of Managing Directors.

The last speaker before the Governor replied was Sir John Keane, who expressed his uneasiness at the way things were tending. He held that the Proprietors had a right to know whether profits or losses were being made in the Stores and Fur Trade separately. He finished by recommending that the Board and management should be transferred to Canada.

The Governor in his reply said that the new Fur Warehouse and Sale-room had been erected in the belief that if it was desired to retain the position of London in the Fur trade the Company must march with the times. The Sale-room was occupied for about four months of the year in the selling of furs by other members of the trade. With regard to the Merchant Trading Company, he said it was not carrying on a similar business to that of the Hudson's Bay Company, and that the shares held in it by Sir Thomas Skinner and Sir Frederick Henry Richmond were held as trustees for the Hudson's Bay Company; these shares were acquired by the Company about ten years before in the interests of the proprietors, and he explained the occasion: he had been invited in 1915 to become a director in order to carry out contracts with the French Government; the business had continued for several years after the War, but the Board had decided not to continue the operation of steamships and trading on a large scale in the commodities already mentioned, but to secure a share of the profits and yet limit their liability in transferring the goodwill and relations which had been formed, and so they decided to acquire a holding in the Merchant Trading Company. Mr. Nordon was entirely wrong in stating that Messrs. C. M. Lampson & Co., Ltd., was a firm under American control; it was an English firm, established in London over a century ago, and Sir Curtis Miranda Lampson was Deputy Governor of the Hudson's Bay Company in 1863.

There were the usual appeals to the Board not to use the proxies which might have been returned to them owing to their having issued forms with the Report, and one speaker rose to say that four members of his family were Proprietors, that he was the only one of them present,

that the other three had sent proxies in favour of the Board, but that he was confident not one would have done so if they had heard what he had heard that morning.

There now followed in the subsequent financial history of the Hudson's Bay Company an intriguing gambit surely more absorbing than any which Walter Bagehot was privileged to follow with "the keenest interest, in the art of money-making." The result of the vote in the room, when the resolution for the adoption of the Report and Accounts was defeated by an overwhelming majority, seems to have been so unexpected that the Chairman did not appear to have posted himself in the usual procedure for voting his proxies in a ballot. While the question was receiving desultory discussion, the solicitor left the directors' table and went to Mr. Nordon. On his return Mr. Nordon rose and said "I do not think it is very nice, Mr. Chairman, to send your solicitor to ask me 'What the Hell I want?'" The solicitor denied having said it. When Mr. Nordon said the gentlemen around him heard him and could vouch for it, he made a lame withdrawal.*

When the result of the ballot had been declared and the formal business concluded at the adjourned meeting in the afternoon the Governor said "That concludes the business of the meeting. Now, the meeting being over, I should like to say this: It is obvious that some of you gained the impression that there may be something in the charges made against myself and the Committee. There is, in fact, no foundation for these charges, but we are

* Cf. Mr. Winkler's *Life of J. Pierpont Morgan*: When Mr. Morgan heard that President Roosevelt was determined to test the legality of the Northern Pacific and Great Northern merger under the Sherman Anti-Trust Act of 1890, he "charged down to Washington and strode in upon Roosevelt and Knox. It was a dramatic meeting. Morgan could see in Roosevelt's purpose only an outrageous violation of vested rights. . . . 'If we have done anything wrong,' he exclaimed, 'send your man (referring to Knox) to my man (mentioning one of his attorneys) and they can fix it up.'"

Roosevelt regarded the fuming financier—twenty years his senior—in amazement. 'That can't be done,' he grated. To which Knox added: 'We don't want to fix it up. We want to stop it.'

. . . Roosevelt turned to Knox after Morgan had retired and remarked: 'That is a most illuminating illustration of the Wall Street point of view. Mr. Morgan could not help regarding me as a big rival operator, who either intended to ruin all his interests or else could be induced to come to an agreement to ruin none.'"

naturally anxious that any impression you may have gained to the contrary shall be removed. We propose, therefore, to approach some of the most important proprietors and ask them to select a Committee of independent proprietors who have taken no part in these discussions and let them investigate the subject and report to you. I need hardly say that we shall afford every facility to the committee in making its enquiries. We are taking this step voluntarily and we must stipulate that if the report should be favourable to your Governor and Committee, the constant agitation which has continued for so long should be abandoned and we should be left in peace to carry on the business of the Company to the best advantage of the proprietors." As the business was concluded there could be no discussion of this extraordinary announcement.

So far as a superficial observer can judge, it was intended, the resolution moved in 1928 to closure Mr. Nordon for all time having failed, to obtain a committee chosen by proprietors on whom the Board could rely to support them, and use its finding to rule Mr. Nordon out of order in future on the ground of a *chose jugée*.

The names of the members of the Special Committee appeared in the *Times* and other papers in the middle of the vacation, August 16, 1930, as follows: Mr. Alfred Shepherd, Mr. W. S. Poole, Mr. George Watson, and Mr. H. M. Trouncer, with Mr. A. J. Reddaway of Messrs. Ball, Baker, Ash & Co., chartered accountants, as secretary. The City Editor of the *Times* continued, "The composition of this committee is such as to ensure that the various matters which have formed the basis of the recent criticisms will be fully and impartially examined."

On December 12, 1930, the Hudson's Bay Company announced that owing to very heavy losses in the Fur Trade and the prevailing depression in Canada the year's working would undoubtedly result in a heavy loss, and the Board had decided to pass the Interim Dividend on the Preference as well as the Ordinary shares. They added that the report of the Special Committee had not been received, but they understood it would be submitted about the end of the year. It is no wonder this created

alarm; the Ordinary Shares, most of them issued within five years at an average price of £4, touched £1. The half-year's dividend on the 5 per cent. Cumulative Preference shares requires only £50,000. This sum had to be met before any other distribution sooner or later, and presumably as much cash as that had come in from the Interest-on-Instalments for the Land alone since the last Balance Sheet. With a Dividend Equalization Fund of £300,000 from reserved profits, apart from Outstanding Instalments in respect of Lands sold to the amount of £2,253,890, part of which had come in (to October 31, £183,000), and further sales of Land announced (to October 31, £98,000), the Board could hardly be charged later with meeting the engagement out of capital. The Board themselves, therefore, in less than six months seem to have become yet more alarmed at the drift of the Company's affairs than the dissatisfied Proprietors themselves, or they laid themselves open to the reflection of facilitating, whether intentionally or not, a bear movement.

On December 17 Mr. Nordon issued a further letter to the shareholders in which he stated that on December 10 (i.e., two days before the issue of the Company's circular) he had deposited a large number of Requisitions which many of the principal Shareholders ("including Banks, Trust Companies, Members of Parliament and numerous gentlemen of high position in the commercial world") had signed "for the purpose of requisitioning a Special Meeting to deal with the serious situation which had arisen in the Company's affairs." In this letter Mr. Nordon stated that although he had placed himself freely at the disposal of the Special Committee he had only had one interview, at which he formed the impression that the members composing it had very little knowledge of the Company's affairs. In reverting to the question of the Company's holdings in C. M. Lampson & Co., Ltd., he recalled the Governor's assertion at the General Court six months before that he was "entirely wrong" in stating that Messrs. C. M. Lampson & Co., Ltd., was a firm under American control. He now replied (as the order of discussion would have precluded him doing at the time) that he had not described it as a firm; it was

a limited Company incorporated August 7, 1928, and the two principal shareholders other than the Hudson's Bay Company (£238,000) were the Avfra Corporation (£143,000) and Robwil Corporation (£71,000), both of the same address in New York, the one evidently associated with Mr. Alfred Valentine Fraser, who received an allotment of 74,966 Preference and 99,310 Ordinary shares, and the other with Mr. Robert William Fraser, 38,556 Preference and 49,655 Ordinary shares; they were both directors of the Company; the Hudson's Bay Company did not appear to be represented on the Board. With reference to the discussion on the Company's investment in the Merchant Trading Company, he stated, amongst other particulars, that a further search of the Rêgister had shown that on January 2, 1919, 20,000 Founders' shares and 40,000 Ordinary shares had been allotted to M. Joseph Danon of Havre, who, he had been informed, was subsequently dissatisfied over an unfortunate venture made in Russia, and that on June 3, 1919, he transferred 30,000 shares to Mr. Sale and 30,000 shares to two nominees of Lazard Brothers & Co., Ltd. (of which the then Governor of the Hudson's Bay Company is Chairman). On October 21, 1920, Mr. Sale had transferred 30,000 Ordinary and 15,000 1s. Founders' shares to Mr. Cecil Lubbock and Sir Thomas Hewitt Skinner, who on April 14, 1924, transferred these shares to Sir Thomas Hewitt Skinner and Sir Frederick Richmond (Mr. Cecil Lubbock had retired from the Board of the Hudson's Bay Company in November, 1922, on being appointed Deputy Governor of the Bank of England; Sir Frederick Richmond having been elected to a seat the preceding June). On June 1, 1920, M. Danon had transferred the balance of his holding to Lazards' nominees, who in turn had transferred them to the Cushion Trust, Ltd., the nominee company of Lazards. The Merchant Trading Co., Ltd., were interested with Morgan Grenfell & Co. (Mr. Vivian Hugh Smith's firm) and with the Marland Oil Co., of Texas, U.S.A., in the Sealand Petroleum Co., Ltd., of which Messrs. E. W. and G. R. Marland were former directors, and of which Mr. D. J. Moran was now a director.

This question of the Oil Companies may become of

such crucial importance to Proprietors of the Hudson's Bay Company, it will be well to trace briefly the history of the subject from the Reports.

It may have been somewhat disquieting to Proprietors who had grown to regard the windfalls from the Land as the most interesting feature of the Hudson's Bay Company, just as one of them, Mr. Wilkinson, had expected it to become in 1871, to hear Sir Robert Kindersley saying in his last Speech as Governor (1925) that their experience of recent years, the Board felt, went to show that the Company must look more and more to the profits from trade to produce satisfactory dividends. There was then a debit balance in the Land Account of £33,000. In his Speech in the following year the new Governor, Mr. Sale, reviewed the Land situation, and it will be useful to state here some of the facts to which he then drew attention. "The decrease in the receipts from the sale of town sites is discouraging. It leaves a greater deficit on this property than in any one of the last four years.

In 1923 it was £18,000.

„ 1924 „ £9,000.

„ 1925 „ £17,000.

„ 1926 „ £27,000.

We still have to compete in disposing of these town sites with properties which have been and are being sacrificed by holders who are unwilling or unable to maintain their payments for taxes. As these lots disappear from the market, and as prosperity overflows from the farms into the cities, we may reasonably expect an improvement." He then gave "a brief summary of the principal figures relating to the department, excluding details and omitting adjustments due to revestments and cancellations :

Years.	Farm-Lands acres sold.	Average Price per acre.	Taxes Paid including Town Lots.
1897-1901 ..	246,000	\$5.00	£75,000
1902-1906 ..	1,086,000	6.00	107,000
1907-1911 ..	558,000	12.00	250,000
1912-1916 ..	218,000	19.00	730,000
1917-1921 ..	1,382,000	17.00	1,275,000
1922-1926 ..	319,000	13.00	1,240,000

Prices have been falling during the last ten years. This is the result of a deliberate policy, one object being to reduce our liability to taxation, and for the same purpose we have exercised the right of abandoning many acres of land classified in the lower grades. The other object—and one to which we attach considerable importance—was to encourage farmers to extend their holdings and to stimulate as much as we could the flow of immigration.

While our disbursements for taxation amount to over £3,000,000 in the last fifteen years, we should not regard this sum as altogether a loss; but must set against it the development which brings your land within reasonable reach of road, rail, and steamer, which founds villages and cities, and establishes schools and public services. These should eventually reflect themselves in the value of your property, so that what at one time was only worth five dollars an acre should now be worth considerably more. Let us put it then, that this taxation has been partly at least an investment in the development of Western Canada where our interests are so great. May I remind you that all the taxation has been charged to capital receipts in respect of the land, and, consequently, the 2,819,000 acres of land which still remain in your possession is an entirely free asset.

We must remember, however, that, take what consolation we may, the incidence of such taxation bears very heavily on all holders of land in Western Canada. This burden, however, is largely due to the cost of the war and to over-expansion; but with a more general diffusion of prosperity and increased immigration we look forward to some relief in this very important matter. To some extent our efforts are being successful; the sum paid in 1922 was £278,000, and has since fallen year by year to £211,000 in the present accounts.

When we come to the question of what our lands are really worth, I may point to the fact that at the present time the price of land in the prairie provinces of Canada is lower than similar land anywhere else in North America, and this despite the fact that the average tax on farm lands is lower in Canada than in the United States, and that the average yield of spring wheat is higher.

Thus in the three States of North Dakota, South Dakota and Minnesota the price of occupied farm lands in 1925 was \$40, \$70, and \$100 respectively, against \$25 to \$30 an acre in Manitoba, Saskatchewan and Alberta. When we come to yield we find that in the same year an average acre of land seeded to wheat in these three Canadian prairie provinces produced from \$20 to \$24 per acre, so that practically the price of the land was returned to the farmer in a single year. These figures suggest that farm lands in Canada are as low as they ever will be. Here, then, is the great inducement which Canada holds out to the immigrant farmer—the cheapest land with the highest yield in the North American Continent."

In 1924 Sir Robert Kindersley had drawn attention to the large sums disbursed in times of depression on behalf of purchasers to prevent the land passing to Municipalities and Provincial Governments through their default in taxation. This balancing of advantages between holding for future values and immediate expenses in taxation and otherwise must always be a knotty question. Judging, for instance, from the Aston fortune acquired from transferring his capital from the fur trade to building sites it had been supposed that the Hudson's Bay Company would in due course benefit in like manner. But land management is a difficult and precarious venture, and the mere provider of capital, who, as has been pointed out earlier, does not render a service for which the world pays on the average more than four per cent., cannot expect to receive such sums as may be earned by people with the expert knowledge and in the commanding position of Donald Smith shortly before he used his wealth to become a director of the Hudson's Bay Company, at the heart of the land market as Land Commissioner to the Company, at the heart of politics as Member in the Provincial and Federal Legislatures, at the heart of finance as a director of banks, and at the heart of railway construction as a director of railway companies. But sales to farmers and builders were not the only landed interest. The Proprietors of the Hudson's Bay Company had always had flattering hopes of sudden wealth being found beneath the surface. The Dominion Court did in fact pronounce against the Company's right to them; after thirty years of uncertainty the Governor had to announce, finally in 1929 that the Judicial Committee of the Privy Council had decided that the precious metals belong to the Dominion. In the Governor's Speech in 1923 he had stated that the Government of Alberta had passed a Bill taxing holders of mineral rights—three cents per acre irrespective of surface rights, and of whether it contained any minerals or not. On appeal to the Federal Government at Ottawa the Act was disallowed by Order in Council. With these discouragements, and the less hopeful prospect held out with regard to the Land, the golden hope of striking oil assumed greater importance in the eyes of Proprietors. In 1923 the Governor said in

reply to a question that up to then exploration and prospecting for oil on the Hudson's Bay Company's lands had been carried on by the Imperial Oil Company under agreement with the Company. The arrangement was based on the Imperial Oil Company paying all the expenses. The Board were also trying to come to an agreement with a very important oil group in England with regard to working in unison for the exploration of oil on the Company's lands. In 1924 he said that these discussions had reached an advanced stage, but "felt it necessary to warn his hearers that the prospects of discovering oil in any quantity were very problematical." In 1926 his successor, Mr. Sale, reported that it had been agreed by both parties to abandon the comprehensive arrangements which had been discussed. He then said that the Proprietors had already been advised of "leasing" arrangements with the Imperial Oil Company of Canada, and others had since been made. "We take a small annual rental, with a right to a share in any oil which may ultimately be found. Several wells are already being drilled on our lands on these terms, and the number will shortly be increased. Altogether seventy-five wells are now in course of drilling throughout the Province of Alberta, and millions of dollars are being spent by pioneers in this work. The geological conditions are still uncertain, but two fields have been proved as producers—the Turner Valley and Wainwright, and their success has stimulated what is locally known as the 'hunt for the Alberta Oil Pool.'" In 1927 he told the shareholders that shortly after the last annual meeting an agreement had been entered into with Mr. E. W. Marland, president of the Marland Oil Company of America, for a geological survey and study of the Provinces within which the Company's lands are situated, and especially in those areas in which conditions appeared to favour the presence of oil. A company had been registered in Canada, the Hudson's Bay Marland Oil Company, for the purpose of defining the interests of the Marland Oil Company and of the Hudson's Bay Company. In 1928 he said the investigations had been systematically continued despite the discouraging excess of oil production throughout the world, and the stage in which it would be possible to

justify the boring of test wells in selected areas was being approached. In 1929 he reported that the Hudson's Bay Marland Oil Company had commenced the drilling of test wells :

" In the Viking field, Number One well is now producing natural gas ; Number Two, situated about a mile to the east, is in course of drilling. ~~Five wells have been commenced in other areas,~~ which are considered promising. The well in the Turner Valley field, which the Imperial Oil Company were drilling on our land on a royalty basis, has been producing about eighty barrels of naphtha per day for some months past, and is bringing in a small income. Another well is now being drilled on the same block. Our friends, the Marland Oil Company, hold to the belief that the prospects are good. It may also interest you to know that the production of crude oil and naphtha in the Province of Alberta increased from 319,000 barrels in 1927 to 487,000 barrels in 1928. And now, having given you all the indications I can on this subject, may I ask you not to count on any large revenue from oil-bearing lands until we are in a position to give you information based on results ? " In 1930, Mr. Sale, after referring to the Company's holdings of land scattered in blocks of not more than 640 acres over the Fertile Belt, an area a trifle larger than France, continued : " Besides the land, we have in this Fertile Belt the mineral rights in 4,650,000 acres, and we are always on the look-out for some means of earning a revenue from them. For several years past I have told you of the steps we have taken to investigate the possibilities of oil, and now I have to tell you that the Marland Oil Company, with whom we have been associated for several years, has been merged in a much greater combination, known as the Continental Oil Company. I am happy to say that the pleasant relations so firmly established with Mr. Marland have continued with Mr. D. J. Moran, the President of the enlarged company. The policy of the Canadian venture, which we share with our friends, was carefully reconsidered at the annual meeting, held during my visit to Winnipeg last September. In order to give a wider scope for possible developments than were contemplated four years ago, the name has been changed from Hudson's Bay Marland Oil Company to Hudson's Bay Oil and Gas Company, with a board of directors in Winnipeg and an operating department in Calgary. Mr. George W. Allen, K.C., is chairman, the other members of the board being Mr. D. J. Moran, President of the Continental Oil Company ; Mr. W. H. Ferguson, Vice-President of the same company ; Mr. James Richardson and Mr. James Thomson, both members of our Canadian committee ; Mr. R. Van A. Mills, in charge of operations ; and, lastly, myself. Speaking generally of oil in Western Canada, I may remind you that the search commenced in these Western Provinces about 1912, but was interrupted by the Great War. The first well to yield satisfactory quantities was Royalite No. 4, drilled by the Imperial

Oil Company in the Turner Valley in 1924. This still remains the largest producing unit, but other smaller wells are one by one adding to the production of the Province, and there is increasing activity throughout a wide territory. In Southern Alberta alone over 40 drilling operations are in progress, and the results will throw valuable light upon our own holdings in that district. Coming now to the operations of the Hudson's Bay Oil and Gas Company, the drilling of test wells, which I mentioned a year ago, gave indications which justify the next stage, namely, the drilling of deep wells, and this work is now actively proceeding in five separate areas. Last year, when speaking to you on this subject, I asked you not to count on any large revenues from oil-bearing lands until we are in a position to give you information based on actual production. In repeating that injunction, as I do now, I feel bound to tell you that the keen and active interest displayed by our highly experienced friends in pressing forward our joint venture makes me believe that you have an element in this Hudson's Bay Oil and Gas Company which may become of great value. When and where and to what extent, I cannot say."

Six months later Mr. Nordon carried the information a step further. He drew attention to the Anglo-Caucasian Oil Co., Ltd., another tenant of the Hudson's Bay Office Building in Bishopsgate, incorporated in the autumn of 1920, its capital being £1,250,000. Immediately after incorporation this company acquired for £300,000 the share capital of the Grozny-Volga Naphtha and Trading Co., and Mr. Sale, with Mr. Emile Pusch (of Lazards) and three Russian gentlemen were appointed directors. In 1922 this Company acquired the undertaking of the Novo-Grozny Tashkala Oil Co., by the allotment of £300,000 shares of which 38,375 were allotted to Messrs. Jeater & Day (Lazards' Nominees); 30,700 to Messrs. Lubbock & Skinner (Hudson's Bay Company directors, presumably holding for the Hudson's Bay Company, as on Mr. Lubbock's retirement from the Board they were transferred to Messrs. Skinner and Richmond), 17,200 to the Merchant Trading Company, and 19,187 to Mr. Sale. In 1929 Messrs. Jeater and Day (Lazards) held 87,913 shares. The Anglo-Caucasian Oil Co., Ltd., appeared to Mr. Nordon to be associated with the Dominion Motor Spirit Co., Ltd. Among the directors of this is Mr. A. V. Sale, Mr. C. V. Sale's son. The Sealand Petroleum Co., Ltd., is the largest shareholder. This company was incorporated in February, 1926, with Mr. E. W. Marland and Mr. G. R. Marland as original directors. 48,998

shares were allotted to the Marland Oil Co. ; 40,998 to the Merchant Trading Company ; 5,000 to Mr. Michael Herbert (Morgan Grenfell & Co.) and 4,999 to Mr. A. V. Sale. The shares of the Merchant Trading Co., Ltd. are now held by Morgan Nominees, Ltd., and in 1929 the Marland Oil Co. transferred their shares to the Continental Oil Co. of Texas, U.S.A. (the Company mentioned above). If, therefore, an oil melon should ever mature on the Hudson's Bay Company's land, conduits for the juice seem to have been amply provided for, even if, as Sir Robert Kindersley said in 1924, "the prospects of discovering oil in any quantity are very problematical." It is therefore not now the Proprietors of the Hudson's Bay Company who will vote directly with regard to their oil interests. It will be remembered that the Governor said in 1923, in reply to a question, that up to then exploration and prospecting for oil on the Hudson's Bay Company's lands had been carried on by the Imperial Oil Company under agreement with the Company. Messrs. E. H. Davenport and Sidney Russell Cooke state in *The Oil Trusts and Anglo-American Regulations* (published in 1923) that Canada "has allowed a subsidiary of Standard Oil—the Imperial Oil Company—to dominate its oil industry" (p. 177). On an earlier page (83) they point out that "In the field of production, in which more money can be sunk (and lost) than in any other branch of the oil industry, Standard Oil has cunningly allowed the 'Independents' to enter and take about 80 per cent. of the business. Fools rush in where angels fear to tread. One rarely finds Standard Oil 'wild-cattling.' In refining, which calls for the next largest investment, Standard Oil has left 60 per cent. of the business to 'Independents.' But the significant fact emerges that of the pipe-lines, which require the smallest capital outlay, irrespective of their vast marketing organisation, Standard Oil has got control of nearly 70 per cent. With what ingenuity has Standard Oil allowed the 'Independents,' or the public through the 'Independents,' to put up the money, while it retains for itself control of the markets and makes the big profits? . . . There would seem to be a definite relationship between the fortunes so common to Standard Oil and the losses so common to the

'Independents.' " It should be added that the authors state in the later passage quoted that "Commercial production on the Mackenzie River has not yet been reached, and Standard Oil is the loser. But even if it is reached later on, Canada will gain proportionately much more than Standard Oil." Since 1923 there have been so many re-arrangements of the Hudson's Bay Company's prospective oil interests, the position of the Proprietors has become obscure. But their interests, which, as the Governor told them in 1929, may become of great value, will clearly need very sagacious guarding.

On December 30, 1930, the Hudson's Bay Company issued the Report of the "Special Committee of Proprietors appointed at an informal Meeting of a number of Proprietors representing some of the largest shareholdings in the Company held on July, 22." "The aggregate number of shares held by the Special Committee or Companies of which they are representatives is 44,310 Ordinary shares and 4,000 Preference shares" [out of a total of 2,492,224 Ordinary shares and 400,000 Preference shares; at least one Proprietor holds over 50,000 shares in his own right]. In forwarding the Report the Secretary informed the Proprietors, on the instruction of the directors, that as Mr. Sale did not agree with a recommendation of the Special Committee that a Canadian Company should be formed to acquire the Company's Stores he had tendered his resignation as Governor, to take effect as soon as his successor was appointed; and that the other members of the Board were prepared to accept the Report and the assistance "in a consultative capacity" of the Special Committee in carrying out the recommendations. He enclosed forms of Proxy, not in favour of directors but in favour of two members of the Special Committee and of Colonel Herman Le Roy-Lewis, C.B., C.M.G., whose name had not hitherto transpired in connection with the Hudson's Bay Company's affairs in any connection whatever.

This move in the gambit—the sudden recommendation of a Proprietor holding 2,500 shares, in conjunction with three gentlemen representing joint holdings of 39,310 shares, to transfer assets, owned in England by some 15,000 Proprietors holding nearly three million shares,

on which seven millions sterling had been expended, without there having been any previous public discussion of the proposal, they having been appointed only to examine certain "personal charges"—was so audacious as probably to be without precedent in the great game which was constantly playing before Sir Robert Giffen and Walter Bagehot in the City. Mr. Sale having abdicated, it will be well to turn the page before discussing its significance. But before doing so a tribute must be paid to the great energy and unceasing labour which Mr. Sale had brought to his administration of the Company's affairs. It cannot be done more fittingly than in the words of his colleague, the Deputy Governor, speaking a few days later: "He joined the Company at a very critical time in its history. He found it lagging behind, instead of taking a prominent part in the growth of that wonderful Dominion. He gripped the situation in the spirit of the earliest adventurers, and, with his immense energy and great vision and courage, in a comparatively short time revived the old spirit of the Company and its staff and brought back the Hudson's Bay Company as one of the dominating factors in Canadian industrial life. It has been stated that his own businesses and interests prevented him from devoting sufficient time to the Hudson's Bay Company's affairs. You may take it from me that no Governor could have worked harder for or devoted more time to your Company. Your business is a highly complicated one, embracing as it does furs, land, stores, and transport. Mr. Sale has carefully studied the intricate problems inseparable from all their sections. He has further practically completed his policy of reorganising on the most modern and up-to-date lines, and has inaugurated an entirely new system of accounts and statistics that will help to make the task of his successor much less difficult than it otherwise would have been."

XII.—The Regency

Who was the regent? That was the most intriguing problem for the Proprietors in the Hudson's Bay Company in the gambit now being played, no less than for the observer.

The "Report by the Special Committee appointed at an informal Meeting of certain Proprietors held on July 22, 1930," begins by stating that they were appointed to consider the personal charges appearing in the verbatim report (not included) of Mr. Nordon's speech made at the General Court on June 27, 1930, and in his circular to certain of the Proprietors dated June 18, 1930.

With regard to the Governor, the Special Committee found that in connection with the War contracts, "certain contracts were entered into by the Company with Mr. Sale or his firm, under which they received the usual commissions or brokerages. These contracts were not submitted to the Proprietors for approval." Not only were they not submitted for approval, but from speeches of Sir Robert Kindersley and Mr. Hugh Vivian Smith (quoted earlier) the Proprietors may have inferred that they were under a great debt to Mr. Sale for unremunerated services. With regard to the Merchant Trading Company, they found that the share capital was 200,000 Ordinary shares of £1 each and 100,000 Founders' shares of 1s. each. The shares were subscribed by eight parties, the largest holders being Mr. Sale and Lazard Brothers & Co., Ltd. (whose Chairman was the Governor of the Hudson's Bay Company at the time) in equal proportions, with half the capital between them; among the others M. Joseph Danon received 40,000 Ordinary shares, and 20,000 Founders' shares. "In May, 1919, Lazard Brothers & Co., Ltd., and Mr. C. V. Sale jointly acquired one-half of the shares held by M. Danon at par, and in April, 1920,

they acquired the balance of M. Danon's shares at par for the Ordinary shares, and 16s. per share for the Founders' shares." "In September, 1920, it was decided at a meeting of the Board of the Hudson's Bay Company that, inasmuch as they were passing over to the Merchant Trading Company some offers of business which the Hudson's Bay Company were not prepared to undertake, it was advisable that the Hudson's Bay Company should acquire an interest in the Merchant Trading Company; and thereupon the Hudson's Bay Company arranged to purchase from Mr. Sale who was then Deputy Governor of the Company, 30,000 Ordinary shares of £1 each, and 15,000 Founders' shares of 1s. each, in the Merchant Trading Company, at the price of £60,000. This decision was taken at a meeting of the Board of the Hudson's Bay Company, at which there were present five Directors including the then Governor, Sir Robert Kindersley, but at which Mr. Sale himself was not present." The passage which follows is illuminating as to the nature of this Special Committee. "The Board of the Hudson's Bay Company doubtless had before them at the time full information as to the position of the Merchant Trading Company. . . ." On a previous page they had stated that "they had received all the information and assistance for which they had asked." The usual function of a Committee of investigation is to ascertain facts, not to surmise. "For the years subsequent to December 31, 1920, no dividend has been paid on these shares. The Special Committee consider that it is unfortunate that this transaction should have been entered into. It will be seen that on the sale of his shares in the Merchant Trading Company, Ltd., Mr. Sale made a considerable profit, but the purchase was made by a Board of business men with full knowledge of the facts [the "doubtless" had swollen, as is usual, with time], and the Committee see no reason to think that Mr. Sale or any of the Directors concerned, acted otherwise than in good faith." With regard to the underwriting, the Special Committee merely repeated the facts which had already been circulated in print by the Company at the time of the issues, and they felt that "in these circumstances no objection should or could be taken to the underwriting." But they then went on

to say that they had submitted to counsel the facts in connection with these underwriting transactions, and been advised that inasmuch as the circular issued to the Proprietors did not disclose the fact that Mr. Vivian Smith, one of the Directors, was a partner and shareholder in Morgan Grenfell & Co. (one of the two underwriting firms), the Company has a technical claim against Mr. Vivian Smith to refund to the Company that part of the profit made by Morgan Grenfell & Co. out of the underwriting which came to him personally, but they felt that "the Proprietors would not wish to put forward any claim to recover from Mr. Vivian Smith his share of the profits, seeing that such a claim would be founded upon a mere technicality." The Special Committee could "see no grounds for any suggestion of Sir Frederick H. Richmond possibly gaining some advantage by his association with the Hudson's Bay Company for other Companies in which he is interested." That is all the reference to that subject. In view of the public boasts to the shareholders of Harrods Stores with regard to his predecessor, Sir, Richard Burbidge, an opportunity appears to have been lost of reassuring Proprietors by a statement of the actual nature of his relations to the Company's business. Shortly after Sir Frederick Richmond's election (in 1924) Sir Robert Kindersley stated in his Speech as Governor that "he had made an extended tour of Canada, and visited each of the Company's Sale shops, reviewing methods, instituting reforms Your Committee have recorded their great appreciation and tendered to Mr. Richmond their warmest thanks for the great services he has rendered to the Company." Is that all? He was not a Managing Director, or Deputy Governor, and his share of the Fees appears inadequate.

When it was a question of the nature of the proposed Committee and the terms of reference to it the Directors were particular to say that it was limited to an investigation of Mr. Nordon's personal charges. But this Special Committee now proceeded that they had "felt that it would be desirable, in the interests of the Proprietors generally, that they should carry their investigation further, to which the Board readily agreed. They have accordingly taken up various matters dealt with by

Mr. Nordon in his circular which do not, as far as they can see, involve any charge against the Directors." With regard to his opinion that the profit was inadequate for the amount of Trading Capital, they found that for the past five years, with an average capital employed during those years of £7,445,942, the average amount earned before deducting Depreciation, Buildings, etc., Sinking Fund, and after excluding any receipts from the Land Department, was 5.46 per cent.; the average gross dividend paid was 4.73 per cent. on this capital. (From Mr. Nordon's point of view it may be observed that it was not until 1928 that large sums were brought into Profit and Loss, reserved for contingencies from the War contracting, so presumably until that year receipts from it were continuing without much claim on Capital, it being conducted on a commission basis.) After stating the obvious considerations which arise on the examination of the poor results in 1929-30, "the Special Committee were not prepared to say that the progress made with the stores up to date . . . had been unsatisfactory." With regard to Shares in other Companies, under "(a) Shares purchased for the purpose of gaining control or checking competition," they found that the book cost of these, including Lampson & Co., Ltd., was £607,747, showing in the previous year a return of approximately 5 per cent. With regard to C. M. Lampson & Co., they reported that "The explanation given by the Governor at the Annual Meeting after the agreement was entered into was, in the opinion of the Special Committee, unfortunate, in that it was incomplete. As it was the opinion of the Board, an opinion they still hold, that it would be prejudicial to the interests of the Proprietors to disclose the full details of the agreement, it would have been better to make a statement to that effect at the time. In the circumstances the Special Committee are not prepared to take the responsibility of disclosing the details of the agreement which they have seen." Under (b) "Companies formed and shares held or acquired for the purpose of developing and facilitating the Hudson's Bay Company's trade," with a total book value of £106,554, £95,000 was invested in connection with the Hudson's Bay North Russia Trading Company,

and the whole capital of this Company was intact and on deposit with the Hudson's Bay Company. (c) Oil and mining companies amounted to £57,156. With regard to the criticism of the Company's Accounts, "the Special Committee considered that the accounts might, without detriment to the Company's interests, be so framed as to give more information to the Proprietors." With regard to the large investments in Oil Companies, they found the investment in the Anglo-Caucasian Oil Company Limited "though unfortunate, was not in any way influenced by the fact that Mr. Sale and other Directors were interested in the Companies referred to, which were only formed several years afterwards." The Special Committee thought that Mr. Nordon was right when he claimed that it was irregular for the Directors to appoint any one to the Board who was not already a member of the Company, but "their appointments were confirmed by the Proprietors in General Court. The irregularity was therefore rectified when these Directors were re-appointed." But were the Proprietors made aware of the irregularity at the time?

The conclusions of the Special Committee are so useful for the examination of the subject of company finance to-day, which is the object of this enquiry, it will be useful to quote them here verbatim.

"The foregoing observations fully cover the criticisms made by Mr. Nordon, but before closing this portion of their report the Special Committee desire to say that, in their investigations, and in arriving at their conclusions, they have endeavoured to consider all matters without bias, either in favour or against, the Board of Directors on the one hand, or Mr. Nordon on the other. The fact that agitation may be bad for the business of a Company, is obviously not a condemnation of all agitation: circumstances may be such that agitation is the lesser of two evils. They think it is unfortunate that Mr. Nordon did not confine himself to criticism of the business policy and management of the Company, but was led into making personal attacks on certain Directors. He, like any other shareholder, in the absence of full information on all material points has no doubt had to draw his own conclusions as best he could from such facts as were available to him, or as he was able to discover. It is evident that he has devoted a great amount of time and energy to his investigations."

"The Special Committee, while they disagree with some of the actions of the Board, in the conduct of the business, feel that

some of the criticisms made by Mr. Nordon may be justified, desire to put it on record that they see no reason to think that there has been any want of good faith on the part of the Directors. The above may be said to complete the reference made to the Special Committee."

So far, then, the Select Committee had exactly fulfilled the function that was to be expected of it from the manner of its appointment: while admitting the substantial foundation of Mr. Nordon's "personal charges," it in each instance exonerated the Directors from personal responsibility and blame.

The Report of the Special Committee then proceeds: "As in the course of their investigations, information and opinions received by them have led them to form certain views as to the conduct of the Company's business, particularly as to the future management, they think it right to state the conclusions at which they have arrived, together with certain Recommendations which they consider might be adopted and carried out with benefit to the Company."

The Report then proceeds to make revolutionary Recommendations directly opposed to the opinion of the Governor, in whom his colleagues had expressed complete confidence:

"RECOMMENDATIONS.

1. That the Company's Canadian Stores should be segregated from the other business of the Company, by the formation of a Canadian Company, to be called 'The Hudson's Bay Company Stores, Limited,' registered in Canada; that the Stores and Store business be conveyed to it, the Hudson's Bay Company receiving Shares, and possibly some Debentures, to represent the value of the property and business; that arrangements be made whereby the public in Canada should have an opportunity of acquiring a substantial interest in the Canadian Company, if they desire to subscribe or purchase the same.

2. That the London business should thereafter, primarily, be confined to the Fur business, and the realisation and management of the Lands.

3. That the Board be reduced to a Governor, Deputy Governor, and a smaller number of Directors; that no one of these should be appointed a Managing Director, but that a Manager or Managers, subject to instructions of the Board, should be engaged to conduct the business or branches of the Company."

Who was the Regent? The Special Committee reported that before stating the conclusions at which they had

arrived "they consulted a Sub-Committee of the Board, who had been appointed to consider these Recommendations." Whether they were published at all therefore depended on the Board, however right the Committee may have thought it to be to publish them. They understood that the Board accepted them in principle. "There seems to be a strong feeling among some of the Proprietors, that the whole business of the Company should be transferred to Canada." Who were these Proprietors? Were they the Sub-Committee of the Board, with Sir John Keane? Or without Sir John Keane? For he invited proxies to be given him in support of Mr. Nordon's views and in opposition to the Select Committee. The only other mention of the subject that the writer has been able to meet with is outside the official publications; it is contained in a short letter which appeared in the *Times* of December 1, 1930, in which Sir George Rowley Hill wrote from the Isle of Mull to urge the importance of having the Hudson's Bay Company transferred to Canada and registered there, with the management at Winnipeg under Canadian directors; and to have the shares, instead of being inscribed and registered, issued in dollars in bearer certificates.

The Special Committee, so far from having a conviction, appear to have had tremors. They "are not certain that such a transference could be effected without losing some of the prestige which the Company had enjoyed for such a long period, but they do feel that the time has probably arrived, when the Stores and the business connected with them, might with considerable advantage be made over to a Canadian Company under the Management of a Canadian Board." The Special Committee is certainly not the regency: "While most reluctant to accept any further responsibility, the members of the Special Committee are willing, if the Proprietors desire, to continue to act in a consultative capacity to assist in this connection." In a "consultative capacity." Who then is the Regent? There still remains a Managing Director, Mr. Archibald Knightly Graham. Is the scheme his? The records are entirely silent about him. All that was ever stated is that the 1927 Report announced that he had been elected to fill the vacancy on the Committee

caused by the retirement of Sir Robert Molesworth Kindersley, G.B.E., in June, 1925, and that at the General Court in 1930 Mr. Nordon asked why he had been so co-opted, seeing that he was not a Proprietor, and received the reply from the Chairman that "he was co-opted because it was believed that his services would be of great value to the Company."

With the Report of the Special Committee the Secretary of The Hudson's Bay Company enclosed a Notice of an Extraordinary General Court to be held on January 16, 1931, (I) to receive and consider, and if thought fit pass, this Report and (II) to comply with a Requisition made by certain Proprietors for the convening of an Extraordinary General Court to consider, and if thought fit pass, Resolutions to the following effect:

- (1) To call upon the Governor, Deputy Governor, and second Managing Director to retire.
- (2) To remove them from office.
- (3) That new Directors should be chosen in their place by the 50 largest Proprietors.
- (4) That the Board thus reconstituted should nominate and appoint a new Governor and Deputy Governor subject to the approval of the Proprietors at the next succeeding General Court.
- (5) That no salaried officer of the Company shall be eligible for Membership of the Proprietors Committee and that Bye-law No. 25a be rescinded.
- (6) That the Committee be instructed to arrange for new Bye Laws to provide for the appointment and functions of an Audit Committee of the Proprietors.
- (7) That no new Member should be nominated for appointment to the Board save with the approval of the majority of the 50 largest Shareholders.
- (8) That members of the Board and Officers shall not be interested in share transactions otherwise than in their own name duly registered in the Company's Register, with a fine for contraventions.
- (9) That the Company's administrative offices should be at Beaver House, and the new Hudson's Bay House in Bishopsgate should be sold or let.
- (10) That the payments for Underwriting should be refunded.

A week later Mr. Nordon issued a circular to the shareholders giving his comments on the Report of the Special Committee, and this was supplemented a few days later by further comments and a list of the 100 "substantial shareholders" who had requisitioned the Meeting, and also a Preliminary List of the numerous shareholders who had sent him proxies in his favour, containing many distinguished names. He also drew attention to the fact that though the Requisition had been deposited at the Company's Office on December 10, and the Report of the Special Committee was not presented until December 30, the subject of this Report had been placed first on the agenda. In forwarding the Report the Secretary stated that he had been instructed to say that in the opinion of the Board it was regretted that Mr. Nordon should have circularised the Proprietors on December 17 asking for their proxies in the face of the announcement which they had made that the Report of the Special Committee would be in the hands of the Proprietors about the end of the year. It is only fair to Mr. Nordon to observe that the announcement was only that the Board then "took the opportunity of stating that the Report of the Special Committee who are enquiring into the Company's affairs has not yet been received, but they understand the report will be submitted about the end of the year." Mr. Nordon showed that he had for weeks been urging the Special Committee to overcome their grave procrastination (they were appointed July 27, on September 30 the Chairman wrote it had been "difficult to get full meetings"), and it seems sufficiently obvious that as the Board were obliged to convene the General Court by January 1, the Report might not otherwise have been ready by December 30. In any case, however, the regret is beside the point; Mr. Nordon asked for proxies in favour of the Resolutions to consider which a General Court had been requisitioned irrespective of the Report of the Special Committee with which the Board themselves were pre-occupied.

Mr. Nordon stated to the shareholders that his one and only interview with the Special Committee did not take place until October 10, and lasted only about one hour.

He urged that in view of the shareholders' heavy losses Mr. Shepherd and his colleagues should collaborate with him and the large body of shareholders he represented in instituting reforms. The Chairman replied "he was afraid such a course would be outside the terms of their remitter."

Referring to the Special Committee's Report the *Investors' Review* of 3 January, 1931, said it "staggered by its incredible fatuity. Its principal recommendation is that the Company's stores and stocks in Canada should be transferred to a company to be called 'The Hudson's Bay Company Stores, Ltd.,' registered in Canada, the parent company receiving shares and 'possibly some debentures' to represent the value of the property and business handed over. The proposition seems so preposterous that we can scarcely believe it is put forward seriously."

Mr. Nordon was not long in commenting on this Special Committee's Report. In a circular letter to the Shareholders of 8 January, 1931, he drew attention to this article, and said that the *Investors' Review* was completely independent, that up to that point it had supported the Board, and that he had had no communication with it. He was now able to give particulars, hitherto withheld, regarding the constitution of the Special Committee. It was chosen by fourteen gentlemen, only five of whom were on the register of shareholders in their own right; among the names appears that of Mr. Herbert F. Chamen, the member of the stockjobbing firm whose name has already transpired. How many of the members of the Committee they chose were registered shareholders? Of those present only one, Mr. Poole. For Chairman they went outside those present, and sought a Scots lawyer, Mr. Alfred Shepherd, W.S. "It is not clear whether it was intended that the Special Committee should be so independent in its judgment that they should not even have their own money at stake, or whether it was to be regarded as that which was promised by the Board, "a committee of independent proprietors." It is peculiarly unfortunate for the confidence which such a report ought to inspire that the Chairman of the Special Committee himself did not seem clear in which capacity he was

acting. He told Mr. Nordon at his one interview on October 10 that he was not himself a Proprietor. When acting on this information Mr. Nordon stated in December that only one member of the Special Committee was a Proprietor, he wrote to him to say that he had quite forgotten when he made the statement that he was "a joint shareholder with a client in a small holding." He then signed the Report five days later the final paragraph of which, immediately above his signature, is "Since the above Report was prepared Mr. Nordon has issued a further circular which the Special Committee has not had an opportunity of studying carefully but it appears mainly to repeat the criticisms already made and dealt with above. Mr. Nordon does however state that only one of the members of the Special Committee is a shareholder in the Company. This is not exactly correct, as in fact two of the members of the Special Committee hold shares in their own names. All the members are representatives of Companies with very substantial holdings of shares."

Mr. Nordon criticised the first Recommendation of the Special Committee on the ground that it was proposed to convey the Stores and stores business to a Canadian Company for "shares and possibly some Debentures," and recommended shareholders to protest against the transfer of their tangible assets, on which some £7,000,000 in cash had been spent, for mere "paper" securities, they being thereby deprived of their principal assets and of their direct control, and this at a time when every effort should be concentrated on maintaining the country's trading relations with the great dominion of Canada.

Owing to the comments of the Editor and the City Editor of the *Times* (of which one of Sir Robert Kindersley's partners is a Director), wherein it was stated, contrary to the finding of the Special Committee, that this Special Committee had "declared Mr. Nordon's charges to be without foundation," he was now "compelled to the rather embarrassing necessity" of asserting his "responsibility," no less than that of the members of the Special Committee with whom he had been contrasted: He had been a solicitor in the City of London for the past twenty-five years, in the well-known firm

founded by his father in 1861; apart from his personal position he was acting as spokesman for an "enormous body of shareholders," lengthy and impressive preliminary lists of whom he published to their fellow-proprietors.

The pieces were now set for such a direct issue as shareholders are seldom invited to decide with deliberation. On the proxy card in favour of Mr. Nordon, and therefore of the proposals for certain reforms in the management of the Company's affairs, appeared in addition the names of Sir John Keane, Bt., and Commander Carlyon Bellairs, M.P., two of the Proprietors who had joined in requisitioning the Extraordinary General Court to consider the proposed reforms.

Who polled most votes? A vote was never reached. Another gambit was played which will no doubt become notorious in the history of the art of money-making.

When the Proprietors assembled at the General Court on January 16, 1931, the Governor proposed that the Deputy Governor, Sir Frederick Richmond, should take the Chair, as he himself was somewhat at variance on some of the recommendations of the Committee. The Deputy Governor in a lengthy speech described the nature of the Special Committee's credentials, and the situation of the Company at the moment. He valued the Company's net assets at £11,000,000 apart from the land and the outstanding instalments on land already sold (amounting to £2,200,000), a total, placing a value of only £1 per acre on the unsold 2,400,000 acres, of £15,000,000. This, deducting the £2,000,000 Preference capital, showed that the prices at which the shares were then quoted on the Stock Exchange "had no relation whatever to their actual value." He then stated that it was estimated the loss on the current year's trading would amount to "approximately £600,000, the great bulk of which is attributed to the fur trade . . . the losses on the Stores being negligible." After a tribute to the Governor, part of which has already been quoted earlier, he announced that an agreement had been come to by the Special Committee with Mr. Nordon and other Proprietors in virtue of which an amendment to the first resolution would be moved. He having moved the first resolution on the paper for the approval of the Special Committee's

Report and the carrying of its recommendations into effect, and it having been seconded by Mr. Vivian H. Smith, Mr. Alfred Shepherd, W.S., the Chairman of the Special Committee, moved that the first resolution should be amended to read: "That the report of the Special Committee, dated 23 December, 1930, be received and adopted, except with regard to the specific suggestions and recommendations contained in that report, which shall be remitted for further consideration in all their aspects by the reconstituted board and with instructions to formulate a definite programme for carrying out such of its suggestions and recommendations as they may approve for submission to a General Court to be held not later than July next, and that meantime the vacancies on the board caused by the resignations of Mr. Sale and two other members be filled by the co-option of three proprietors to be approved by the Special Committee and Mr. W. M. Cazalet, Sir John Keane, Commander Carlyon Bellairs, Colonel J. B. D. Karslake, and Mr. C. L. Nordon, or, if they disagree, to be approved by the Rt. Hon. Sir Robert Horne."

In seconding this amendment, Mr. Poole said that he thought one of the mistakes of the directors had been a mistaken policy, in that they had developed ahead of requirements, but he expressed confidence in the future, though he "was afraid they had a long time to wait."

Mr. Nordon then explained the difficult position in which he had been placed when he had been sought by Sir Robert Horne, who, while expressing his approval of, and readiness to support, the steps which he had taken, urged on him in the interest of the Company to agree to some arrangement with the Special Committee which would avoid the crisis which threatened. Mr. Nordon believed he had received sufficient proxies to carry his own resolution; the Special Committee said that was not so; he thought it would be useful if at that stage the meeting could be furnished with the actual figures. After several meetings, under the powerful advocacy of Sir Robert Horne, supported as he was by the plea of Captain Cazalet, representing his father as the largest shareholder in the Company, and General Makins, another substantial shareholder, he had agreed

that the amendment which had been proposed should be submitted to the decision of the Meeting, and that if it should be carried by a show of hands he would not himself endeavour to reverse that decision by utilizing the proxies with which he had been entrusted. On the subject of the appointment of the new directors, "suggestions had been made to him from a great many quarters that he himself should accept nomination as a member of the Board, but the special position which he had occupied and the criticisms which he had felt it his duty to put forward obviously precluded him from accepting such a nomination. The great support and strength which he had been able to achieve in the matter was attributable to the fact that he had never had any personal motive, but, on the contrary, had been willing to devote not only his time but to expend a very great amount of money from his own pocket in his efforts to secure the rehabilitation and regeneration of the Company." That was an avowal The City is little accustomed to hear from such a pertinacious "agitator," and it must have carried great weight with those who remembered that the Governor and Mr. Vivian H. Smith had tried two years earlier to carry a resolution which would exonerate them from paying any attention to any criticisms Mr. Nordon might make for the future.

Mr. Nordon was followed by the Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., who proceeded to explain "exactly why he was there." It was just as an average shareholder, "somewhat unhappy with regard to the present differences and troubles which have been afflicting the Company. I do not deal at all in the matter of personalities; it matters nothing to me who are on one side in this case and who are on the other." He then proceeded to plead for unity. Having repeated what Mr. Nordon had said about their meetings he announced that he had the actual figures "which will be published officially by the Registrar afterwards," and "the directors were in the strong position that they could have come to this meeting to-day and the recommendations of the committee could undoubtedly have been carried by a very considerable majority." The speaker seems to have forgotten that he was not on the hustings; he is a K.C.,

and might have been expected to remember that the directors so far as was known had not been entrusted with any proxies at all. But what is of greater moment in the history of finance is, how was it he had the figures? Was it customary in the political world, with which he was more familiar, when he was His Majesty's Chancellor of the Exchequer to communicate vital information to a private Member on the cross-benches while withholding it from the Leader of the Opposition? Sir Robert Horne then took credit for securing the assent of the directors to the changes required by the Amendment.

Was Sir Robert Horne, then, the Regent? If he did not explicitly deny it, he implicitly did so.

Who, then, was the Regent? The power, the amendment having been carried "by an overwhelming majority, there being only very few in a crowded meeting voting against it," now lay in the hands of Sir Robert Horne: "or if they disagree to be approved by the Rt. Hon. Sir Robert Horne." On whose behalf was it to be exercised? It would have been of great value to the historian, and it might have been to the meeting, if he had frankly stated his credentials. He had intervened, he stated, when an appeal was made to him "by certain shareholders—who were entirely neutral and who sent proxies neither to the Committee nor to Mr. Nordon." Who were these shareholders? Were they mutes? Were they bedridden? Obviously, they were the Regents.

And there the matter stands. Not later than this July Miss V.A.D. is to be called upon to vote whether her interest in the Stores is to be handed over to the control of a Canadian Company.

It is not the aim of Inkyo to suggest to her how her vote should be cast. Sufficient information has not yet been published for him to form any opinion himself. But since he has emerged to this extent from his "shadow dwelling," he ought not perhaps to leave the matter quite there. With regard to the Stores Company, the danger appears to be that Miss V.A.D. may be invited to consent to the Hudson's Bay Company in London being a holding company for the shares in the Canadian Company to be given in exchange for her proprietary rights, and the Regent in London will then have the ultimate control

over the greater part of the property she at present shares in the control of herself. Enough has already been said on the subject of holding companies to put her on her guard. With regard to the improved prospects of a Canadian Company, the present Governor, who has re-organized the Company on its present footing, has said that the Canadian Committee is practically a Board of Control in Canada. It has to be remembered that the prestige of the Hudson's Bay Company there is not all on one side; the North-West Company had all the advantages of local knowledge and the inside position, but the historians of the Company express clearly their opinion that the partners realized that they would ultimately go down before the prestige and influence of the London Company, and secured amalgamation while yet there was time.

On the question of amalgamations Miss V.A.D. is confronted by another vital problem in company finance. The recent policy of the Hudson's Bay Company is obviously dictated by what is euphemistically called to-day "Rationalization," which is no other than the modern capitalists' hatred of competition. "Morgan was a representative only of capital, and capital demanded stamping out competition," as Mr. Winkler tells us in his "Life." Now that policy of the great American Trusts dictated by implacable get is a very distasteful one to the old type of Hudson's Bay Company shareholders, and it is riddled with dangers. The Hudson's Bay Company has recently been engaged in buying up competitors in good times in the fur trade. A little study of its history shows that Nature knocks them out in bad times without intervention, and a little study of the accounts of the early formation of the Standard Oil Trust shows that each weed is quickly replaced by another growth of straw to be bought up. After fifty years' experience it still affords some surprise to Inky to observe the rapidity with which Nature changes her servants, the most respected and powerful individual or firm is here to-day and disappears to-morrow, and not least so in so speculative a business as the fur trade, where failure is easy, and a fortune on which to retire may be achieved. One of the keenest Jew fur traders in Canada said to the

writer that it was Lampson's, selling the furs on a small commission and receiving interest on their advances, that got the profits. Lampson's has had a great career, but the American fur preserves are now more thickly populated, and Public Auction Sales in New York and St. Louis have been established, and the firm has not escaped the ravages of time among its members. The present Board of the Hudson's Bay Company has shown a wise prevision in at last using their great prestige in the fur trade in accepting furs for sale on commission in London, receiving payment for services with little risk to themselves. It seems almost incredible that in a single year under these circumstances a loss of some £600,000 should have been sustained in their fur trade. Sudden great drops in value are not "unprecedented," they are the normal feature of this trade. Anyone can make profits in rising markets; the test of business ability is to make them in falling ones. For many years the Hudson's Bay Company sold their furs at the Public Salerooms built by Messrs. C. M. Lampson & Co. that there might be a Saleroom at their Warehouse doors. Latterly the Hudson's Bay Company has invested a large sum in a new, much better Saleroom and much better Warehouse, with modern Cold Storage, and every modern convenience for buyers. Why, then, at the same time invest some hundreds of thousands of pounds in C. M. Lampson & Co.? It seems a pity that the Special Committee let pass their opportunity of reassuring the Proprietors of the Hudson's Bay Company with regard to this transaction (after Mr. Sale had denied that C. M. Lampson & Co., Ltd., was under American control, and Mr. Nordon had been obliged to justify his statement by showing how largely it was owned in New York, with American directors, while the Hudson's Bay Company had no representative on the Board), instead of merely reporting that in their opinion Mr. Sale's "incomplete explanation was unfortunate" but that as it was the opinion of the Board that "it would be prejudicial to the interests of the Proprietors to disclose the full details of the agreement," though in their opinion "it would have been better to have made a statement to that effect at the time," "in the circumstances they themselves were

not prepared to take the responsibility of disclosing the details of the agreement which they had seen." For these and other reasons that Miss V.A.D. will no doubt find, other Proprietors of the Hudson's Bay Company seem disposed to wait for further information before taking any drastic and irrevocable steps. After its rapid expansion the Hudson's Bay Company will not suffer in these dull times from a period of quiet examination and revision. They need have no fear that the business will not carry on. In the much more important and crucial matter of the King's Government the country does not suffer when every few years he changes his Ministers who do the talking for a different, largely raw and inexperienced team. The work goes on much the same under one or another Cabinet, and would without any at all. In 1928 Mr. Sale threatened to resign, when he disliked Mr. Nordon's criticisms. The criticisms increased in effectiveness, and nothing more was heard of resignation. He had overlooked the difference that when a Prime Minister threatens to resign, if he carried his threat into practice usually most of his hearers would be put to the trouble and expense of seeking re-election. Few shareholders trouble much who are directors; if they do not like the management they merely transfer their capital to a concern the directorate of which they prefer, in the same way as directors themselves do when their management is not liked.

The Hudson's Bay Company's discontents are officially attributed to the world-wide depression. This is a broad back. They are in reality of a piece with the frenzied finance of the past decade. We sowed the wind and we are reaping the whirlwind. With all respect to the reputation of the gentlemen who formed the Special Committee of Investigation, there is no evidence of their having such expert knowledge of the conditions of Canadian Trade as would afford serviceable guidance, and it does not appear, to judge from the only evidence published regarding their proceedings, that of Mr. Nordon, that they called to their aid those with such knowledge outside the Company's own offices. When everybody was fully immersed in one direction or another by the urgent claims of the War, Mr. Sale was called on to

rebuild out of almost virgin ground, under the unusually difficult conditions then prevailing, a great organization; he threw himself into the business with unstinted energy, and with the valuable experience, enjoyed by few others in like manner, of a similar occupation in the Far East during the Russo-Japanese War, and endowed with great organizing ability, he succeeded brilliantly, backed by the practically unlimited financial resources which were forthcoming in that day from anxious War Governments. When peace returned the affairs of the Hudson's Bay Company had not escaped both the good and the ill effects of the War, any more than other private undertakings. It had sold much land, for which payment was still being received; but presumably its staff had been depleted, and its organization had to be reconstructed under new peace conditions. In its case, as we have seen, a new era of expansion, after many years of a narrow policy which was not keeping pace with the developments in Canada, was only being inaugurated when the War interrupted it. We know from the Governor's Speech in 1922 that the operations on behalf of War supplies were approaching completion about the end of 1920, and that then "The Deputy Governor felt that the work which he undertook, really in the capacity of a managing director, was war work, and now that this war work is nearing its final settlement he desires to return to his own affairs." He seems to have been persuaded to stay on, to have been fascinated by the Company's history and its possibilities, and to have thrown himself into the re-establishment of its ancient importance with the same ardour as he had displayed in the service of Government needs during the War, and it must be added, with the same attitude to unfailing sources of supply. Sir George McLaren Brown, a Canadian with wide experience both of Canada and Europe in the service of the Canadian Pacific Railway Company, said at the General Court in 1927, "I would add that your recently declared policy of interesting yourselves in the settlement of Canada and in promoting the settlement of British people in that country is bound also to make an impression upon my countrymen, as they will see in that not only a wise and far-reaching move, but

interests of your own Company, but also a generous appreciation of what your Company owes to Canada, the country which has been the source of the prosperity of your Company through three generations." Now while it is true that the Hudson's Bay Company has always recognized Imperial obligations and a duty to Canada, it cannot be expected to carry simultaneously great altruistic expenditure on the development of the country, and the enormous taxation to which it has been exposed in Canada in recent years, and still show an adequate profit. In spite of the signs of danger on the horizon money seems to have been poured out, and it appears from the "barometer of the money market" that the Company's stability is now rocking to the foundations. Its trials are shared by countless other companies affected by the crazy wave of frenzied finance which overtook England, in spite of all the warnings of the experienced and far-sighted financial prophets, under the government of Mr. Lloyd George, with Sir Robert Horne holding the premier position in finance. While many splendid companies have been ruined or discredited, the Hudson's Bay Company, more fortunately circumstanced with its unique resources, has withstood the shock. It has still its old reserves and a great array of fine new buildings, and it has a modernized organization. "Mr. Sale," said the Deputy Governor, speaking at the Extraordinary General Court in January, 1931, "has carefully studied the intricate problems inseparable from all their sections. He has further practically completed his policy of re-organizing on the most modern and up-to-date lines, and has inaugurated an entirely new system of accounts and statistics that will help to make the task of his successor much less difficult than it otherwise would have been." There is therefore no occasion for panic. I have already quoted in this connection Luther's epigram; the Hudson's Bay Company is now equipped, both in the Fur Trade and the Store Trade, to an extent that it never has been before, to take advantage of the good times which cannot fail to return, and it only requires a prudent husbandry while the sky remains clouded to reap a rich harvest when the sun re-appears. Before hastily selling out to a Canadian Company, much

less relinquishing their power without an adequate cash consideration, Proprietors would apparently be well advised to carefully weigh the opinion of the first Viscount Goschen, no less wise for us to-day than when he expressed it over fifty years ago, when there were overtures from the Canadian Government for the purchase of most of the Company's land, for what would seem to-day a mere bagatelle, that "the depression of trade [he signed the Report in November, 1826, there was no dividend in the following June, and Instalments and Interest on Land already sold were then greatly in arrear, so any prospect of an offer of money must have been tempting] rendered it inexpedient to continue for the present negotiations for the purchase of the Company's land." Even the brief references to the events in the history of American finance in the foregoing pages afford ample illustrations of the wisdom then displayed.

XIII.—Conclusion

ARE our financial methods improving or regressing? That was the enquiry I promised to pursue, and that is the pivot round which Inkyo's reflections circle. Beside it the affairs of the Hudson's Bay Company are of comparative insignificance; as The Great Company its long and famous history merely serves as a convenient illustration. As it is but one instance in the wider field of finance, so finance is but one subject in the wider field of the relations of men in society, which we call in their widest sense politics. The present age is an increasingly Material one, and its political problems hinge increasingly on the question whether the savings of the people, the disposal of which is the function of finance, shall be used at the instance of the politicians who control the State, or of the capitalists who control Industry. Much will depend in the eventual resolution of that problem on the way in which financiers play their part. Marx believed it would eventually be resolved through somewhat such events as we are seeing take place before our eyes. Though time has proved him demonstrably wrong in some of his expectations, the centralization of financial control in America has led to a democratic demand for the control of the financiers in that liberty-loving country, and may yet lead to their being replaced by officers of State. Do our capitalists desire that to occur here? The question is of even wider significance than that; its importance is such that all should consider it. For it is of the very fibre of the Nation's morality and well-being.

We may take heart; when we take a wide view we certainly have advanced since the time when the Pharaohs captured a whole tribe that they might make bricks without straw; or at a much later age, when the marauding medieval barons took not only the toilers' savings but their lives as well. When we take a narrower view it is

not so clear. It was a foolish misreading of the doctrine of evolution when Dean Inge declared not long ago that the Victorian idea of progress was an unfounded superstition. The Victorian idea of progress did not conceive it as a straight line, but an advancing and receding rhythm. On which wave are we riding to-day? Towards the close of a long life Herbert Spencer put that question to himself, and in his conscientious manner he examined in a series of articles which he contributed to the *Contemporary Review* in 1884 the political predictions which he had contributed to the *Westminster Review* in 1860. He found they stood the test of true prophecy, that nothing had occurred to alter the belief he then expressed. By way of illustrating a contention in the political field, that the supposition that it was just for a majority to over-ride the will of the minority was the great-superstition of the day, he reprinted, as it happened, most of the passage which he had written thirty years before which I quoted in my introduction; to broaden the approach now I propose to reverse the process, and appeal in the first instance to the teaching of politics to attain a serviceable measure. But first let me quote further from that article written in 1854:—

As devised by Act of Parliament, the administrations of our public companies are almost purely democratic. The representative system is carried out in them with scarcely a check. Shareholders elect their directors, directors their chairman; there is an annual retirement of a certain proportion of the board, giving facilities for superseding them; and, by this means, the whole ruling body may be changed in periods varying from three to five years. Yet, not only are the characteristic vices of our political state reproduced in each of these mercantile corporations—some even in an intenser degree—but the very form of government, whilst remaining nominally democratic, is substantially so remodelled as to become a miniature of our national constitution. The direction, ceasing to fulfil its theory as a deliberative body whose members possess like powers, falls under the control of some one member of superior cunning, will, or wealth, to whom the majority become so subordinate, that the decision on every question depends on the course he takes. Proprietors, instead of constantly exercising their franchise, allow it to become on all ordinary occasions a dead letter; retiring directors are so habitually re-elected without opposition, and have so great a power of insuring their own re-election when opposed, that the board becomes practically a close body; and it is only when the misgovernment grows extreme

enough to produce a revolutionary agitation among the shareholders that any change can be effected. Thus, a mixture of the monarchic, the aristocratic, and the democratic elements is repeated with such modifications only as the circumstances involve. The modes of action, too, are substantially the same; save in this, that the copy outruns the original. Threats of resignation, which ministries hold out in extreme cases, are commonly made by railway boards to stave off a disagreeable inquiry. By no means regarding themselves as servants of the shareholders, directors rebel against dictation from them, and frequently construe any amendment they may urge into a vote of want of confidence. At half-yearly meetings, disagreeable criticisms and objections are met by the chairman with the remark, that if the shareholders cannot trust his colleagues and himself, they had better choose others. With most, this assumption of offended dignity tells; and, under the fear that the company's interests may suffer from any disturbance, measures quite at variance with the wishes of the proprietary are allowed to be carried. The parallel holds yet further. If it be true of national administrations, that those in office count on the support of all public *employés*, it is not less true of incorporated companies, that the directors are greatly aided by their officials in their struggles with shareholders. If, in times past, there have been ministries who spent public money to secure party ends, there are, in times present, railway boards who use the funds of the shareholders to defeat the shareholders. Nay, even in detail, the similarity is maintained. Like their prototype, joint-stock companies have their expensive election contests, managed by election committees, employing election agents; they have their canvassing with its sundry illegitimate accompaniments. Does any tradesman, who, having enlarged his shop, finds a proportionate diminution in his rate of profit, go on, even under the stimulus of competition, making further enlargements at the cost of further diminutions? Does any merchant, however strong his desire to take away an opponent's markets, make successive mortgages on his capital, and pay for each sum thus raised a higher interest than he gains by trading with it? Yet this course, so absurd that no one would insult a private individual by asking him to follow it, is the course which railway boards at meeting after meeting persuade their clients to pursue. Since 1845, when the dividends of our leading lines ranged from 8 to 10 per cent., they have, notwithstanding an ever growing traffic, fallen from 10 per cent. to 5, from 8 to 4; from 9 to 3½; and yet the system of extensions, leases and guarantees, notoriously the cause of this, has been year by year persevered in. Is there not something needing explanation here—something more than the world is allowed to see? Obviously therefore, railway shareholders have been continually deluded by false representations. The only possible escape from this conclusion is in the belief that boards and their officers have been themselves deceived; and were the discrepancies

between promises and results occasional only, there would be grounds for this lenient interpretation. But to suppose that a railway government should repeatedly make such mistakes, and yet gain no wisdom from disastrous experiences—should after a dozen disappointments again mislead half-yearly meetings by bright anticipations into dark realities, and all in good faith—taxes credulity somewhat too far. Even then were there no demonstrated iniquities to rouse suspicion, we think that the continuous depreciation in the value of railway stock, the determined perseverance of boards in the policy that has produced this depreciation, and the proved untruth of the statements by which they have induced shareholders to sanction this policy, would of themselves suffice to show the essential viciousness of railway administration. Before proceeding to analyse the existing state of things, however, we would have it clearly understood that we do not suppose those implicated to be *on the average* morally lower than the community at large. Men taken at random from any class would, in all probability, behave in the same way when placed in like positions. There are unquestionably directors grossly dishonest: unquestionably also there are others whose standard of honour is far higher than that of most persons: and for the remainder, they are, we doubt not, as good as the mass. Of the engineers, parliamentary agents, lawyers, contractors and various others concerned, it may be admitted that though daily custom has induced laxity of principle, yet they would be harshly judged were the transactions that may be recorded against them used as measures. Those who do not see how, in these involved affairs, the most inequitable results may be wrought out by men not correspondingly flagitious, will readily do so on considering all the conditions. In the first place there is the familiar fact that the corporate conscience is ever inferior to the individual conscience—that a body of men will commit as a joint act, that which every individual of them would shrink from did he feel personally responsible. And it may be remarked that not only is the conduct of a corporate body thus comparatively lax, but also the conduct *towards* one. There is ever a more or less distinct perception that a broad-backed company scarcely feels what would be ruinous to a private person; and this perception is in constant operation on all railway administrators and their *employees*—on all contractors, landowners, and others concerned; leading them to show a graspingness and want of principle foreign to their general behaviour. Again, the indirectness and remoteness of the evils produced greatly weaken the restraints on wrong doing. Men's actions are proximately produced by mental representations of the results to be anticipated; and the decisions come to largely depend on the vividness with which these results can be imagined. A consequence, good or bad, that is immediate, and clearly apprehended, influences conduct far more potently than a consequence that has to be traced through a long chain of causation, and as eventually reached, is not a particular and readily conceiv-

able one, but a general and vaguely conceivable one. Hence in railway affairs a questionable share transaction, an exorbitant charge, a proceeding which brings great individual advantage without apparently injuring any one, but which, even if analysed in its ultimate results, can but very circuitously affect unknown persons living no one knows where, may be brought home to men who, could the results be embodied before them would be shocked at the cruel injustices they had committed—men, who in their private business where the results *can* be thus embodied, are sufficiently equitable."

Although I have quoted those old passages at tedious length, they cannot be re-perused by the investing classes too often, for they are prophetic writings, that is to say they are the unflinching assertion of enduring truth and right in face of the devices of self-interest, of custom, and of authority, and it is better to repeat it in Spencer's tried words rather than in mine. The British Railway Mania has long since spent itself and there is little dishonesty of which to complain in the finance of our railways to-day, although it is generally realized that they are still suffering in their old age from the profligacy of their youth. It spread with increased virulence to America, and European investors suffered enormous losses there. Human nature changes so slowly that the hasty say there is no progress; certainly the methods and the ideals we are borrowing from America are not encouraging. But, as has been said, the theory of evolution does not contemplate a direct line; on the contrary, it supposes an undulatory rhythm of minor advances and recessions. It need hardly be recalled that Herbert Spencer's doctrine was based on the conviction that the ages of man in his social relations were first the moulding of civilization by Warfare and Religion, then that of the Industrial and Material Age, to be followed by the Ethical Age. But just as the biological doctrine of evolution recognized that some early forms of life could still persist in an age of advanced development, so martial and priestly tendencies could continue to exist in the Industrial Age, and at the same time ethical tendencies dawn upon it.

Reviewing his predictions in 1884, Herbert Spencer found, "The causes of these fore-told effects, then in operation, continue in operation—are, indeed, likely to be strengthened," for the wrong remedies had been

applied. Eight years after he wrote another Companies Act was passed, to be followed by yet other Companies Acts, which do more harm than good in some directions by giving a false sense of security. It is little short of farcical to waste the time of busy men obliging a printed auditor's certificate to be read; and the appointment of auditors by resolution moved from the shareholders' side of the table does not mean any more than before that it is they who choose the auditors, but it does shift the responsibility from the shoulders of the directors to theirs. As Herbert Spencer insisted, Parliamentary Acts are a dead encumbrance when they do not conform to the spirit of the people. Mr. Nordon was right when he said at the last Extraordinary General Court of the Hudson's Bay Company, "A famous statesman once declared that in times of crisis 'it is men we want not measures,' and I might supplement that epigram by suggesting that 'if you take care of the individuals the institutions will take care of themselves.'"

As Herbert Spencer saw and said, the conditions which control democratic politics and democratic corporations are the same. Let us, then, see what the statesmen of to-day have to teach us in the wider field. Speaking recently in the House, the prophet of the House of Commons to-day (for Lord Hugh Cecil, though on his maiden appearance in the House the Prime Minister of that day was so impressed that he at once hailed him as a future Prime Minister of England, has never held office, owing to his inveterate sincerity) described the real nature of modern government: the theory of "equalitarian democracy" sought to be embodied in the new Representation of the People Bill was that each elector had a right to vote which should only be proportionate to the total number of voters. On seeking election, he pointed out, while lately a candidate might look to wealthy individuals running candidates in one cause or another, he was usually run by a political party. This in effect meant his election by the two or three persons of great energy and force of character on the "executive committee" who really control the whole organization. "That is oligarchy, not democracy." He quoted Lord Bryce, a great Parliamentarian, and a deeply informed writer on

the subject of political government, in support of this contention: "Lord Bryce, a convinced democrat, in the last book which he wrote, after carefully surveying democratic government in six countries, came to the conclusion that democracy, in its strict verbal meaning, never existed or could possibly exist in any large community. His principal reasons for the conclusion were: first, that directly there was an organization, only a few people could be concerned in its working; and, second, that there was in human nature undoubtedly a perpetual and insistent trend towards oligarchy" (*Times*, March 17, 1931).

That was a conclusion at which Aristotle arrived more than two thousand years ago. The fact cannot be changed. But the correctives can be. Our political practices have become comparatively pure because of publicity, and because there have been two or more strong parties struggling for power, and the smallest peccadillo is quickly turned to party advantage if it is outside the etiquette of the game, for the people is at heart sound. Both parties requiring campaign funds which are not provided at the public expense the sale of honours comes within the etiquette, and the discussion of the topic is deprecated by the front benches. The likeness to Herbert Spencer's description of the government of democratic financial corporations will have been observed at once. We have made such poor improvement since his day, it is worth while to try a remedy which has proved effective elsewhere. The father of Lord Hugh Cecil, a famous Foreign Secretary, described the difficulties of conducting delicate diplomatic negotiations with a reporter under the table. But after the Great War it was felt to be the lesser of two evils. The talk at almost any Company Meeting about the prejudice to shareholders' interests by discussion is nonsense. Directors to-day are most frank in showing competitors the inner working of their businesses. Perhaps they hope they will go to the expense of copying them, when they themselves already have improvements in contemplation. But in any case it would be ridiculous to suppose that in these huge undertakings an unscrupulous competitor could not get most of the information he wanted, though some personal facts are most jealously guarded. It is

part of the practice of American methods to scrap and re-scrap their *personnel* as well as their material. This re-acts on the *personnel*; men so treated cannot be blamed for protecting their interests with as little scruple. A healthy opposition in a shareholders' meeting is as wholesome as it is in Parliament. Nothing is more entertaining than to read of Sir Robert Horne saying at the last General Court of the Hudson's Bay Company. "Now there is one thing which stands out more than anything else; it is as big and obvious as the dome of St. Paul's. It is that, if we go on squabbling, if we are going to have differences of opinion exciting members of our board, if we are going to have attacks upon the administration, either in the Press or in private circulars, then our way to disaster has become plain." Are His Majesty's affairs of State of less delicacy and importance than those of the Hudson's Bay Company? Speaking but ten days later in a more public assembly (i.e., at the Annual Meeting of the Glasgow Unionist Association) Sir Robert Horne said, "The thought of self-preservation was the only one which occupied the thoughts of the Liberals. What filled their hearts with dread was the thought of facing the electors. That unhappy prospect they took every possible means to avoid. No sense of honour, no dictate of duty, no feeling of pride would prevent them voting time after time against their conscience if they could save their own skins and defeat the will of the people of the country. They had made the most ignominious surrenders that stood to the discredit of any political party." (*Times*, January 27, 1931.) The Liberals include the Prime Minister who during the War came nearer to having the universal confidence of the whole country, including presumably that of his Chancellor of the Exchequer, Sir Robert Horne himself, than any Premier in our day, and Sir John Simon, who is universally esteemed. Just because there is no party majority in the House of Commons at present we come nearer than usual to government by consent, and because the Liberals hold the balance of power without office none require to exercise it more judicially. Are they not liable to be excited by differences of opinion so expressed? Is Mr. Ramsay MacDonald less liable to be excited by

similar attacks than Mr. Sale by Mr. Nordon's polite questions? Similarly, speaking a little later Sir Robert Horne said Sir Ernest Petter was not the candidate in the election at all; "He was the puppet that had been put up by the Press."

It ought to be a privilege to chairmen when shareholders call their attention to that which they have not made plain, or remind them of features in the account of their stewardship which they have overlooked. The open discussion of a company's affairs by the partners in it at least once a year when the accounts are presented is desirable, and is intended by the King's Government. Yet the tendency of those who direct the affairs of our joint-stock companies is in the opposite direction to-day. We have seen how in 1928, when a shareholder had been showing an intelligent interest in the affairs of the Hudson's Bay Company, the Governor, seconded by Mr. Vivian H. Smith, moved that the directors should be exonerated from paying any further attention whatever to his questions and his views. In the preceding year Mr. Nordon had, in common with others, opposed the underwriting of shares which were to be issued at such a price as should show a large profit to those entitled to subscribe for them. When they persisted in their protests in later years, the Governor naturally retorted that the Proprietors had had the proposal to underwrite placed before them at the time, and they had agreed to it. It is well known that it is perfectly idle under normal conditions for shareholders to attempt any other course on these occasions; the special meetings summoned for such purposes are very sparsely attended, and the real difficulty of Boards is to get a quorum when the articles of association call for a substantial one. They are perfectly secure of the plans matured in the Board-room going through, knowing that in oligarchical government popular changes only take place through revolutions, and that revolutions are only successful under the stress of hard times. In this instance the attempted closure defeated its own end; Mr. Nordon was led to pursue investigations on his own account, with an astonishing result. But that is unusual. Few shareholders are so pertinacious, and they are usually cowed by the arrogance of the chairman, and

the hostility of their fellow-shareholders around them. When in 1930 as the result of Mr. Nordon's disclosures the Chairman's resolution for the adoption of the report was overwhelmingly defeated by the Proprietors present, and at the very end of the proceedings, when further discussion would be out of order, the Chairman announced the intention of the Board to ask some Proprietors to choose a Committee of investigation, presumably to avoid the danger of the appointment of an independent committee chosen in a regular manner, a Proprietor, Mr. B. A. Glanvill, said: "I deplore what has happened at this meeting to-day. . . . I regret that, because of the difficulties which exist in Canada at this time, and, indeed, throughout the world, a certain number of shareholders—a very few in number and, perhaps, those who have only bought their shares recently—should come here and make wild statements such as have been made to-day. I think it is extremely good of you to be willing to have an investigation. I hoped you would not, because everybody knows the character of the gentlemen who are sitting with you to-day and that it needs no investigation." (Report of Proceedings issued by the Company.)

Is it true that the affairs of an Imperial trading corporation cannot be carried on with glass pockets? The prejudice to shareholders' interests is grossly exaggerated when legitimate questions are asked. For the protection and reassurance of the public banks have to publish returns. Railway Companies publish returns; they seem to be principally used to colour the counters of stock exchange gambling. The publication of directors' fees was intended for the protection of shareholders, but it has become an absurdity. The Hudson's Bay Company recently took power to make contracts for the payment to directors for services rendered in addition to their fees. The Special Committee of investigation reported that "although the Hudson's Bay Company is a Chartered Company, and therefore not governed by the Companies Acts, it is interesting to observe that the new Companies Act, recently passed, while it requires that a Company's accounts shall state separately the amount of the remuneration paid to the Directors, expressly excepts

from such disclosure remuneration paid to a Managing Director. The reasons for this are obvious." What are they? It is a pity they were not stated. Was it to be feared that the Governor would be tempted away by larger pay from a competitor? Are the dangers greater than the existing evils? The public seldom has the opportunity of learning anything about such payments. But it happened last year that two rival financial interests quarrelled over the capture of the Youngstown Sheet & Tube Co., and the disappointed loser had the bad grace to take the matter into court. It then transpired that in the Bethlehem Steel Corporation the President, receiving a salary of \$12,000, drew a Bonus of \$1,623,735 for 1929 "figured on a mysterious 'factor'"; of three vice presidents, with salaries of \$10,000, two drew Bonuses of \$378,664 apiece, and one \$375,784. "The stipend of the Chairman, Mr. Michael Schwab," says *Time* (11 August, 1930), "is a modest \$150,000 a year, less than is paid many a lesser tycoon, and he is entitled to no bonus." A telegram from New York to the London *Times* of January 15, 1931, states that "Vice-Chancellor Backes of Newark, New Jersey, to-day issued an order requiring the Bethlehem Steel Corporation and thirteen of its officers and directors to show cause on January 27 why they should not give an accounting for \$36,498,668 paid as Bonus over a period from January 1, 1911, to June 13, 1930. Among the defendants are Mr. Charles M. Schwab, chairman of the board, who is said to have directed the distribution of the bonuses, Mr. Eugene G. Grace, the president, and a number of other officers of the corporation, who are said to have received bonuses; also several capitalists who are directors of the corporation, including Mr. Percy Rockefeller, Mr. William C. Potter, president of the Guaranty Trust Company of New York, and Mr. Grayson M. P. Murphy, head of the Stock Exchange firm of Grayson M. P. Murphy and Co." A Reuter's telegram from New York says "Seventy-two per cent. of the stockholders of the Bethlehem Steel Corporation have approved the bonus system in force. This is a victory for the board of directors as on January 14 four of the stockholders asked the Chancery court of Newark (N. J.) to compel the directors to refund to the

corporation a sum of over \$36,000,000 (£7,200,000) alleged to have been paid in bonuses since 1911. The suit was intended to bring about the entire elimination of the bonus system." (*Times*, 16 April, 1931.) Precisely; who voted the "holding company," or the "voting trust," or whatever it may be, votes? *

As Mr. Nordon pointed out in one of his circular letters to shareholders in the Hudson's Bay Company, "in most cases the close co-operation and intimate coterie of direc-

* The sequel appeared in the *Times*, April 28, 1931, in a telegram from its Correspondent sent from New York the previous day. "It was announced this morning that Mr. Cyrus S. Eaton, the Cleveland financier who was mainly responsible for the defeating last autumn of the plan for merging the Bethlehem Steel Corporation and the Youngstown Sheet and Tube Company, had retired from Continental Shares, Incorporated, a holding and investment company, and that Continental Shares had severed relations with the Stock Exchange firm of Otis and Co. Otis and Co. have transferred their commission brokerage business to E. A. Pierce and Co. Mr. Eaton was the moving spirit in Otis and Co.

Mr. Eaton resigned as chairman of the board, and Mr. Burwell, as president of Continental Shares Incorporated, and two other directors, Messrs. M. J. Mandelbaum and Philip Wick, likewise resigned at the suggestion of another director, Mr. George T. Bishop, who has now been elected president. This was because transactions made by the company before last autumn, when Mr. Eaton and his associates went on the board, had been challenged by some of the shareholders, and it was considered desirable to have a board of directors entirely dissociated from any of the transactions in question. Continental Shares owns control of United Light and Power Company, a \$500,000,000 enterprise, and it owns besides more than 20 per cent. of the Common stock of the Lehigh Coal and Navigation Company, \$400,000,000 worth of shares of steel companies, including the Youngstown Sheet and Tube and Republic Steel Companies, \$10,000,000 worth of shares of rubber companies, including the Goodyear Tire and Rubber Company, substantial holdings of Cleveland, New York, and Chicago Bank Stocks, and of the Sherwin Williams Company, the largest manufacturers of paints and varnishes in the world. Recently the shares of Continental Shares, Incorporated, sold at the lowest prices in their history" [i.e., \$3½ against \$45½ in 1929].

Is this the punishment meted out to a renegade from the financier coterie? Or is it just retribution? The American review *Time*, of May 4, 1931, adds some interesting particulars of Mr. Eaton's career. He is forty-eight years old, and was born at Pugwash, Nova Scotia, which had "already benefited by his financial greatness. . . . A potent public utilitarian, he had just begun to fashion the Second Greatest Steel Company." "Like everyone else's, Mr. Eaton's troubles began with the stock-market crash of November, 1929. On top of this came the long and costly battle against the Youngstown-Bethlehem Steel Merger. Unwilling to sell his Youngstown stock and, for tactical reasons, forced to buy more, Mr. Eaton was soon in an over-extended position. He needed cash. So, at the end of 1930 he (through Otis

tors is too strong and directorships appear to become matters of bartering between powerful groups and that in the result Shareholders' interests badly suffer." This evil, rapidly growing in England, is much greater in America. "Firm members or directors of the three institutions [Morgan & Co., the first National Bank and the National City Bank]," says Mr. Winkler in his *Life of J. Pierpont Morgan*, "it was disclosed [to the Congress Committee to Investigate the concentration of Control of Money and

& Co.) sold to Continental Shares one of his richest plums: 40 per cent. of the voting stock of United Light and Power (the \$500,000,000 utility system which was Mr. Eaton's first big achievement after he had abandoned, in 1906, the idea of becoming a Baptist preacher). But more cash was needed and so he also gave to Continental Shares an additional holding in Cliffs Corp. which, because of its vast reserves of iron ore, was the hub of his steel plan—a plan which approached reality in 1930 with formation of Republic Steel Corp., the third biggest steel company. . . . Some of Mr. Eaton's transactions with Continental Shares received sharp criticism. The United Light stock was priced at \$66 when he sold it to Continental Shares, although the market price for an identical issue, lacking voting power, was around half of that. Last winter six law suits charging mismanagement were brought against Mr. Eaton and the directors of Continental Shares. This further weakened public confidence in its position. Facing these suits, facing a sharply falling market, Mr. Eaton last week dramatically withdrew from his official position as head of Continental Shares, invited the four most prominent Cleveland bankers (Wilbur M. Baldwin, Harris Creech, James Arthur House, C. E. Sullivan) to join the board of the beleaguered company. Thus was control of the investment trust divorced from Mr. Eaton's personal aims and ambitions."

Mr. Winkler states, with reference to the United States Shipbuilding Company and the Trust Company of the Republic, that this new trust was already wobbling when Charles M. Schwab chanced to meet Nixon and Dresser (the promoters of the Shipbuilding Trust and president of the Trust Company of the Republic) at luncheon, and he proposed that they should include in their combination the Bethlehem Steel Company, which he had bought without Pierpont Morgan's knowledge a few months before as a private speculation, and with regard to which Pierpont Morgan had served him a "blunt notice" to get rid of it within a year (Mr. Schwab being at the time president of the United States Steel Corporation and "in constant friction with the executive committee"). Mr. Moody, in *The Masters of Capital*, says "Everybody thought Schwab was crazy, for he was to be paid, so it was generally understood, in bonds of the United States Shipbuilding Company, which promised to be worthless. But Schwab was far from crazy. He had insisted that the bonds carry voting power. Presently, when the whole scheme went down with a crash, carrying with it the Trust Company of the Republic, Schwab was found in possession of the entire group of plants, including the Bethlehem Steel. He then lopped off the worthless properties and attached the good shipbuilding plants as subsidiaries to the Bethlehem Steel Company."

Credit], together held 341 directorships in 112 corporations having aggregate resources or capitalization of no less than \$22,245,000,000. The committee asserted that competition had practically been blotted out in underwriting securities, also that, as a matter of 'banking ethics,' the large banking houses did not seek to take customers away from each other." (Mr. Moody, in *The Masters of Capital*, gives many more details from the Congress Committee's Report.) Mr. Nordon recalled that "centuries ago pluralities in Ecclesiastical Offices were scandals of the first magnitude, even Bishops holding more than one Bishopric, for the sake of the emoluments, but with little regard to the performance of the resulting duties committed to their care," until in 1838 an Act of Parliament was passed to deal with the scandal. Possibly we may be driven in England to some such measures in finance if the tendency to pluralities increases. In the case of the Hudson's Bay Company, the Special Committee found that "In modern conditions, it is not feasible, nor desirable, to lay down hard and fast rules to the effect that no Director should be interested in any company having competing interests, or that a Director must not be interested in any contract with the Company. In these days of Joint Stock Company enterprise, such a rule would unduly restrict the number of available Directors, and possibly force a Company to select its Directors from those who know little or nothing of the business which the Company conducts" (which reads a little curiously beside the statement of the Governor of the Company, Sir Robert Kindersley, that none of the directors knew anything about the shipping business which they had contracted with the French Government to perform, and that consequently they elected as a director Mr. Sale, who knew nothing about the fur and departmental store business).

While Herbert Spencer found much the same motives prevailing with directors in 1854 as prevail to-day, there have been some well-marked tendencies since. It may be said broadly that at that time a director stood in the fiduciary position of a trustee for his fellow-shareholders. The directors represented the capital, and they paid salaried officials to attend to the business. The manager

made his recommendations for developments, the accountant gave the facts regarding means. Their function was to consider the proposals laid before them, to decide whether capital could and should be embarked upon them, and how the profits should be treated. When the Kaffir boom seized the imagination of Society, fortunes were made by speculation on the stock exchanges rather than out of the gold won. It therefore became of the greatest importance to have early knowledge of the latest development reports; these reached the board-room before they appeared in the Press. When that boom was succeeded by the flotations of great industrial enterprises a new factor was introduced. These depended for their success on the energy and the acumen of a business man—a Lever, a Lipton, a Burbidge. He had this great advantage—that he knew the business as well or better than any officials, and he had not to overcome a Board of timid capitalists, fearful, as established capitalists are, of losing their capital. They ruled the Committee, as Lord Hugh Cecil has pointed out with regard to political committees, as Herbert Spencer has pointed out with regard to railway committees, always happens. And clearly they could not and would not bring that ability and excessive labour for the pittance of a director's fee. The system of payment on a commission or bonus is a good one, if it is on results and not on turnover. But either, of course, introduces the temptation of over-trading, which a Board must be strong enough and sufficiently well-informed to resist. If the Board is conservative and powerful, the ruling member is likely to aim at replacing its members with his own nominees. The well-meant intentions of paternalism in government for the protection of shareholders are easily defeated, and always will be. The auditors, who are nominally their servants, in reality do little more than say that the figures presented do in fact agree with the figures in a Company's books. A Board would soon get the auditors changed if they tried to do more. Can other safeguards be introduced? In politics, in order to try to check extravagance, *étatiste* France, and to a lesser extent England, have been driven to the appointment of finance committees consisting of private members, beyond the

Treasury auditors. Mr. Nordon and his friends have suggested something of the same kind as a remedy in the case of the Hudson's Bay Company. Their Resolution No. 6, never moved owing to Sir Robert Horne's intervention, reads "That the Committee be instructed to prepare and submit for the approval of the Proprietors new Bye-laws to provide for the appointment and functions of an Audit Committee of the Proprietors and for such changes as may appear to be expedient in the administration of the Company's affairs." Of this the Editor of the *Times* (December 31, 1930) said it was "satisfactory to record that the drastic, not to say preposterous, proposals laid before the proprietors by Mr. Nordon are roundly condemned [by the Special Committee] as prejudicial to the Company's interest. It may be hoped that this unfortunate agitation will now be allowed to lapse into the oblivion which it deserves;" and the City-Editor wrote in the same issue "Indeed in their opinion [i.e., the Special Committee's] Mr. Nordon's proposals if carried out would not serve any good purpose, but might prejudicially affect the Company's future." They might not serve any good purpose. As Mr. Nordon was no doubt well aware, the utility of all institutions depends on the manner in which they are served. It is very probable, having regard to the supineness of shareholders, and the fact that for the most part they are absolute strangers to one another and cannot exert co-operative influence if their directors do not do it for them scrupulously, that in a few years the members of the Audit Committee (which in some straightforward, simple corporations is really the Committee of Directors itself) would practically, if not ostensibly, be the Board's nominees, as the auditors are. But the proposal is not without precedent, even in the Hudson's Bay Company itself. In 1863 it was very customary, and the practice still lingers in some old-fashioned companies, to appoint a responsible lay shareholder as an auditor as well as a professional accountant, or in small companies without one. When the present Hudson's Bay Company was refloated by the International Financial Society Mr. Quilter was the auditor appointed by the Board and Mr. Watkin was appointed by the shareholders. The

curious may read in Sir Edward Watkin's *Recollections* how in 1865 and 1866 he himself cancelled many of the Hudson's Bay Company's notes which had become defaced, mainly owing to the fingering of Indians and others, who had left behind on the thick yellow paper coatings of pemmican. In view of modern methods of finance it is at any rate worth trying in England something like the German *Aufsichtsrat* (Board of Supervision), which is elected by the shareholders independently of the Board. It is entitled to access to books and documents, and to satisfy itself about ways and means. A wholesome provision is a liability to damages for breach of duty, which might be made to include breach of trust on misuse of information.

American financiers have an inflated idea of the value of their services, and the infection is spreading to Europe. George W. Perkins (a grocery clerk, who was afterwards employed in an insurance company, and in that capacity coming in contact with Pierpont Morgan, was subsequently engaged by him, and eventually became a partner in the firm), asked how many men were really worth the salaries from \$100,000 to \$250,000 which great corporations were then paying their chief executives, replied that a single decision of Gary's was worth one hundred times all the salary the Steel Corporation would ever pay Gary in his lifetime. Judge Gary did the legal work in the formation of the United States Steel Corporation, and against his own desire Pierpont Morgan persuaded him to become the chief of the executive. In the depression following one of the panics the large general committee wanted to cut wages, and Gary resisted. It was to this that Perkins referred. Gary had no more prophetic insight than others, but he had firmness, and a greater sense of responsibility to society than his associates. That kind of decision has to be exercised by managers drawing reasonable salaries repeatedly, and there is no talk about it, or much pay either. The function of financiers is to regulate the pulsation of the recuperative supply of the body corporate, called in biology cells, and by accountants assets. Because large sums pass through their hands they feel entitled to sweat them, and it is this process which produces their immense fortunes. This is

a much more vital question than merely shareholders' dividends. What is too little realised is that it is not their own money which is jeopardized. They are operating with the savings of the people. "In placing their tremendous stock and bond issues," Mr. Winkler tells us, "Morgan and the other great promoters had not overlooked the huge reservoirs of capital in the coffers of the life insurance companies." The Hyde scandal in 1905 is still well remembered by name, but it is worth recalling that this young man, only twenty-seven years old, having inherited from his father, the founder of the Equitable Life Insurance Company, the 51 per cent. controlling stock of its \$100,000 capital, was found "quite by accident" (owing to a quarrel with the president) to be tapping its \$413,000,000 capital for underwriting organized by himself and his friends, and that these funds were juggled through three subsidiary trust companies, so that the parent company had been unable to use its great cash surpluses for its own legitimate investments. Control of the Equitable Company eventually passed to Pierpont Morgan, as well as that of the New York Life. Mr. Winkler says that early in this century there was a "mushroom growth" of trust companies for the purpose of tapping the great resources of the insurance companies; that within three months of Harriman's death in 1909, Pierpont Morgan, George F. Baker and their associates had purchased Harriman's controlling interest in the great Guaranty Trust Company, with its \$100,000,000 assets, and Harriman's holdings in the huge Mutual Life Insurance Company, and that Morgan also bought from Thomas F. Ryan control of the Equitable Life with its assets then grown to more than \$500,000,000, and through one of Morgan's mergers he dominated the trust company field also.

Mr. Moody writes of the opening years of the century, preceding the 1907 panic, in *The Masters of Capital* :—

Life insurance assets had now become a large factor in high finance and a vital part of the movement toward the control and capitalization of industry in general. Banking power, as identified with the different groups, now implied the control not merely of groups of national banks and trust companies but also of the life insurance companies with large assets and growing resources.

Naturally, this loose and extravagant method of making use of hundreds of millions of dollars belonging to hundreds of thousands of policyholders, bred extravagance and corruption in the ranks of the smaller minds in the insurance organizations. In the great companies particularly, extravagance, waste, and inefficiency steadily grew. Millions of dollars were spent annually in elaborate furnishings for executive offices; all sorts of useless positions were created for retainers and worthless officers and clerks; money was wasted in buildings, in useless advertising, and in many other ways. Graft in a thousand forms began to creep in.

A sensational insurance investigation which began in 1905 lasted for several months. Under the direction of Charles E. Hughes, it disclosed to the public the entire inside history of life insurance finance during the previous decade, with all its high finance, reckless manipulation of funds, waste, extravagance, and graft. The result of this investigation was that new and far more stringent laws were enacted looking to the safeguarding of the assets of policyholders and the proper investment of insurance funds.

Thus, at one stroke, a prolific source of free and unrestricted cash was cut off from the speculator and promoter. The hundreds of millions which had for years been bandied about at the beck and call and to the profit of small groups of powerful men were no longer available.

The investigation of the insurance companies, with its results, was undeniably one of the factors which helped to save the situation when the panic of 1907 arrived.

It is no wonder that in spite of America's liberty-loving institutions attempts are made to exert political supervision of this huge power. But to-day as ever the greatest safeguard is a wholesome public opinion with publicity. It is very marked as the recent history of the Hudson's Bay Company is read how information was gradually squeezed out of the accounts. At every step of their hard won liberties the people had to fight the cry, that the King's Justice cannot be carried on without the secrecy of the Star Chamber (the powers of which, beneficial in the first instance, had been abused), the cry that the Church's business cannot be carried on with the people in the secret councils, the cry that the King's government cannot be carried on with liberty of the press. "And this is the judgment, that the light is come into the world, and men loved the darkness rather than the light, for their works were evil."

Herbert Spencer describes the conditions of shareholders' meetings in 1854 exactly as they are to-day :—

"How at half-yearly and special meetings, shareholders should be so readily led by boards, even after repeated experience of their untrustworthiness, seems at first sight difficult to understand. The mystery disappears, however, on enquiry. Very frequently contested measures are carried quite against the sense of the meetings before which they are laid, by means of the large number of proxies previously collected by the directors. These proxies are obtained mostly from proprietors scattered everywhere throughout the kingdom, who are very generally weak enough to sign the first document sent them. Then of those present when the question is brought to an issue, not many dare attempt a speech; of those who dare, but few are clear-headed enough to see the full bearings of the measure they are about to vote upon; and such as can see it are often prevented by nervousness from doing justice to the views they hold. Moreover, it must be borne in mind that the party displaying antagonism to the board are apt to be regarded by their brother proprietors with more or less reprobation. Unless the misconduct of the governing body has been very glaring or very recent, there ever arises in the mass a prejudice against all playing the part of an opposition. They are condemned as noisy, and factious, and obstructive, and often only by very determined courage avoid being put down. Besides these negative reasons for the general inefficiency of shareholders' resistance, there are sundry positive ones. As writes a Member of Parliament who has been an extensive holder of stock in many companies from the first days of railway enterprise :—'My large and long acquaintance with Railway Companies' affairs enables me to say that a large majority of shareholders trust wholly to their directors, having little or no information, nor caring to have any opinion of their own . . . some others, better informed but timid, are afraid, by opposing the directors, of causing a depreciation of the value of their stock in the market, and are more alarmed at the prospects of this temporary depreciation than at the permanent loss entailed on the company by the useless and therefore unprofitable outlay of additional capital . . . others again, believing that the impending permanent evil is inevitable, resolve on the spot to sell out, and to keep up the prices of their shares, also give their support to the directors.' Thus from the lack of organisation and efficiency amongst those who express their opposition, and from the timidity and double facedness of those who do not, it happens that extremely unwise projects are carried by large majorities. Nor is this all. The tactics of the aggressive party are commonly as skilful as those of their antagonists are bungling. In the first place the chairman, who is very generally the chief promoter of the contested scheme, has it in his power to favour those who take his own side, and to throw difficulties in the way of opponents, and this he not unfrequently does to a great extent—refusing to

hear, putting down on some plea of breach of order, browbeating, even using threats " (*loc. cit.*).

Regarding the last evil, Herbert Spencer remarked that it was injudicious for the chairman of the board to be also the chairman of the meeting. "The directors are the servants of the proprietary, and meet them from time to time to render an account of their stewardship. That the chief of these servants whose proceedings are about to be examined, should himself act as chief of the jury is absurd."

These evils have been increased, with the development of democracy since Herbert Spencer's day, when the Press was primarily a purveyor of news, not primarily a purveyor of advertising space, by its immense influence. The invasion of the boards of newspaper companies by financiers lends additional gravity to a passage in a recent address of the Lord Chief Justice to the American Bar Association: "I should like to refer to a certain change which seems to have taken place in the character and the aims of much of the Newspaper Press. Thirty years ago and more there were already signs in many newspaper offices of a contest for supremacy between the Editorial department on the one side and the business, which is to a great extent the advertising department, on the other side. I cannot help thinking the contest seems to have been decided, and in an enormous number of cases decided in favour of the business department. It was undoubtedly an expert in the business department who said not long ago that the real power of the Press is the power of suppression. A multi-millionaire, it would seem, presses a button in his office or his smoking-room or his bedroom, and straightway the nominal heads of a whole group of newspapers stand at attention, and within a very few hours each one of those newspapers, purporting in every case to represent an authentic and individual opinion, asserts or denies, attacks or defends, displays or suppresses, magnifies or disparages, in accordance with the will or the whim of the invisible dictator. And if newspapers are indeed to be treated as mere articles of trade, if their function is to be simply to increase and inflame the already deplorable power of mere money in public affairs, is there any reason

whatsoever why, in any respect whatsoever, the law should exhibit any special tenderness towards them?"

There is a subtle distinction in the mind between proprietor and shareholder. The members of the Hudson's Bay Company do well to cling to the former term. As Herbert Spencer's correspondent pointed out, many shareholders are only concerned about the profit of buying in and selling out. The old North West Company were founders and partners, and subjected to their competition the Hudson's Bay Company had to take their Officers into partnership. The modern shareholder merely lends his money according to his judgment of the management and the return he expects to receive, with little sense of responsibility for the company's acts. It has been briefly indicated in previous pages how in turn the tendency is for the director to treat the company as his own, and to so manœuvre its constitution, through voting trusts and the like, as to render his own control impregnable. The position, in short, returns to that of the banker and his clients, he receiving money on deposit for which he pays interest, but regarding himself as entitled to employ it as he likes for his own greater profit as long as the interest is forthcoming, and he can return the capital when due. In place of demanding the money back, the shareholder sells his shares when he wants to employ it for other purposes; the director aims at maintaining the banker's position by such devices as Dividend Equalisation Funds, hidden reserves, i.e. founders' shares, and the like, and his profits by such direct measures as underwriting, commission on turnover as managing director, or otherwise. How far even the old-fashioned Hudson's Bay Company had travelled from its traditional history to the modern practice of possessory rights, Morgan's claim to do what he liked with his own, was shown when it was disclosed that the last four directors had all been illegally appointed, they not even being shareholders in the Company. What did the Special Committee understand by the term "breach of faith" when they used it in their finding? This action, comparatively unimportant beside others disclosed, was surely a literal breach of faith.

Very many shareholders no less than Mr. McKenzie believe that the number is very limited of those who

can "claim to understand deep financial problems." The formula for acquiring the huge modern fortunes through "high finance" is in reality a very simple one; fortunately most people scruple to make use of it.

As in politics eternal vigilance is the price of liberty, so, as the investor will have to realize, is it of the security of his savings, whether in God's Own Country in America, in Victorian England, or in Jerusalem. For this is all a very old story. More than two thousand five hundred years ago a prophet and poet wrote:

"For among my people are found wicked men:

They lay wait, as he that setteth snares;

They set a trap, they catch men.

As a cage is full of birds, so are their houses full of deceit:

Therefore are they become great, and waxen rich.

Yea, they overpass the deeds of the wicked:

They judge not the cause, the cause of the fatherless,
yet they prosper;

And the right of the needy do they not judge

[i.e., consider].

Shall I not visit for these things? saith the Lord:

Shall not my soul be avenged on such a nation as this?

An astonishing and horrible thing is committed in the
land:

The prophets prophesy falsely,

And the priests bear rule by their means;

And my people love to have it so:

And what will ye do in the end thereof?"

That passage is literally word for word true of to-day; in our particular form of Western civilisation the Press is the lineal descent of the verbal prophet, and the politician of the priest.

"And my people love to have it so." In a Material Age we worship Mammon as avidly as in the past, and we still bow before the power of wealth. There will be little difference until the ultimate values in public estimation alter. From princes to peoples we outwardly pay no regard to how money is made, whatever we may say in private, if we share in that which it provides. Until this spirit changes there is less than nothing to be gained from Acts of Parliament; they only give a false sense of security and obscure the issues.

To round off the circle to where I began with that quotation from Herbert Spencer, if the spirit of intention is not observed, if the interests of directors and proprietors are not made identical, there is little improvement to be expected. Government requires the aims of a company to be embodied in a Memorandum of Association, and when the money has been subscribed, and the directors want to use it for other purposes, a favourable moment is chosen to revise the articles of association, or the charter. If the shareholders numerically negative the proposal, the preponderating vote of the trusts which the directors control is balloted. A gold mine to develop which a company was formed is becoming worked out, and instead of distributing the remaining assets the directors form a company with them to acquire oil leases, or to found a trust company (that is a company for a conservative form of stock speculation), which will keep their fees and the control of the assets in being.

"And what will you do in the end thereof?" Herbert Spencer put that question to himself with his customary unflinching searching of heart at the close of his re-testing of his theory regarding political tendencies, when he found they had followed the course he had prophesied. His reply was courageous and convincing:

"Of course there will arise the question—Why, then, enunciate and emphasize a theory at variance with the theory adapted to our present state?"

Beyond the general reply that it is the duty of everyone who regards a doctrine as true and important, to do what he can towards diffusing it, leaving the result to be what it may be, there are several more special replies, each of which is sufficient.

In the first place an ideal, far in advance of practicability though it may be, is always needful for right guidance. If, amid all those compromises which the circumstances of the times necessitate, or are thought to necessitate, there exist no true conceptions of better and worse in social organization—if nothing beyond the exigencies of the moment are attended to, and the proximately best is habitually identified with the ultimately best; there cannot be any true progress. However distant may be the

goal, and however often intervening obstacles may necessitate deviation in our course towards it, it is obviously requisite to know whereabouts it lies." (Postscript to *The Man versus The State*.)

There is no occasion for despondency. It is a sign of grace that we do pay lip service to the ultimate ideal of the avowed visionaries. It is an affront to say that things are not as honest as they pretend to be. The British have acquired a reputation for hypocrisy. It is not altogether to be deplored ; it is the outward appearance of that tolerance, that readiness to condone that we may live in our social relations with as little friction as possible, which is not the least of British qualities. And we do progress ; without ideals a nation perishes. If it were not for the gleam of the dawn of the Ethical Age on the horizon, life in this Material Age of little faith would not be worth living.

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